

Wisconsin Flex Program:

The Impact of Flex Program Allocations for Critical Access Hospitals in the First 5 Years

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*Prepared by the
Wisconsin Office of Rural Health*

The Wisconsin Flex Program

Background

The Wisconsin Medicare Rural Hospital Flexibility Grant Program (Flex Program) was initiated in 1999 and is funded by the Federal Office of Rural Health Policy at the Health Resources and Services Administration of Health and Human Services. The Flex Program provides funding to States to assist in the designation of Critical Access Hospitals (CAHs) and the development of rural networks to improve access to care. Critical Access Hospital certification enables hospitals to receive cost-based reimbursement under Medicare and Medicaid. The Flex Program makes it possible to provide technical assistance to hospitals interested in obtaining CAH status, and to assist in the application and certification process, including the hospital survey.

The Flex Program was originally administered in Wisconsin through the Wisconsin Department of Health and Family Services Bureau of Quality Assurance. The Wisconsin Office of Rural Health began administering the Flex Program in September 2001.

Since January 1999, approximately \$2.35 million was been distributed to Wisconsin CAHs through the Flex Program.

Methodology

At the time of this study (winter 2003), Wisconsin's 28 Critical Access Hospitals were invited to participate in an evaluation of the Flex Program by the Wisconsin Office of Rural Health. The purpose of the evaluation was 1) to document how Wisconsin's CAHs have used the monetary allocations received through the Flex Program from January 1999 to August 2003 and 2) to determine the impact of the Flex Program monetary allocations on the Wisconsin CAHs during these five years.

Each CAH Administrator or hospital representative was asked to review a document, which listed all of the hospital's expenditures paid for by the Flex Program from January 1999 to August 2003.¹ Initially, WORH staff assigned each expense to one of several categories as follows:

- CAH Designation
- Network Development
- EMS
- Quality Improvement
- Evaluation
- Telemedicine
- Community Development
- Needs Assessment and Planning
- Staff Education
- Patient Education
- Recruitment

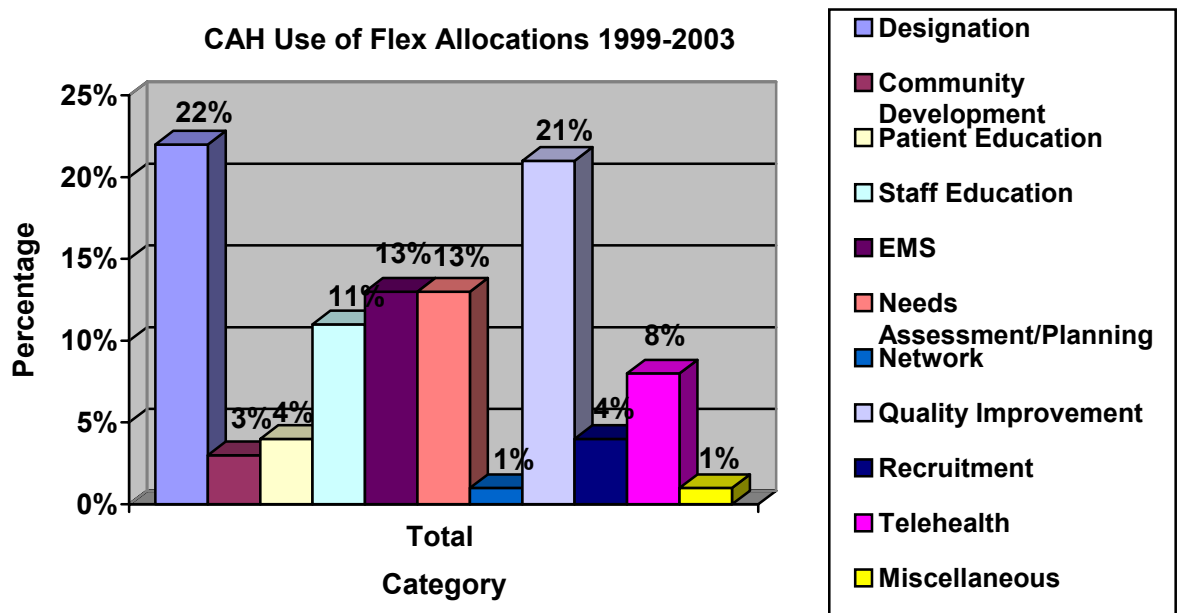
¹ Administrators were asked to project how they would utilize their unspent Flex Grant allocations for the remainder of Year 4, which ends August 31, 2003.

CAH representatives were then asked to verify the expenditures listed and categories assigned. They were also asked to state the impact of each purchase. Many administrators chose to make statements about the overall impact of the Flex Grant. Others chose a few significant purchases and provided impact statements for those only.

Twenty-four of the 28 Wisconsin CAHs participated in the evaluations. The information provided in this report about the hospital specific expenditures represents the expenditures of all 28 hospitals. WORH staff categorized the expenditures for the four hospitals that did not respond to the survey. The analysis of the impact statements from administrators, however, represents the opinions of only 24 of the 28 CAHs in Wisconsin.

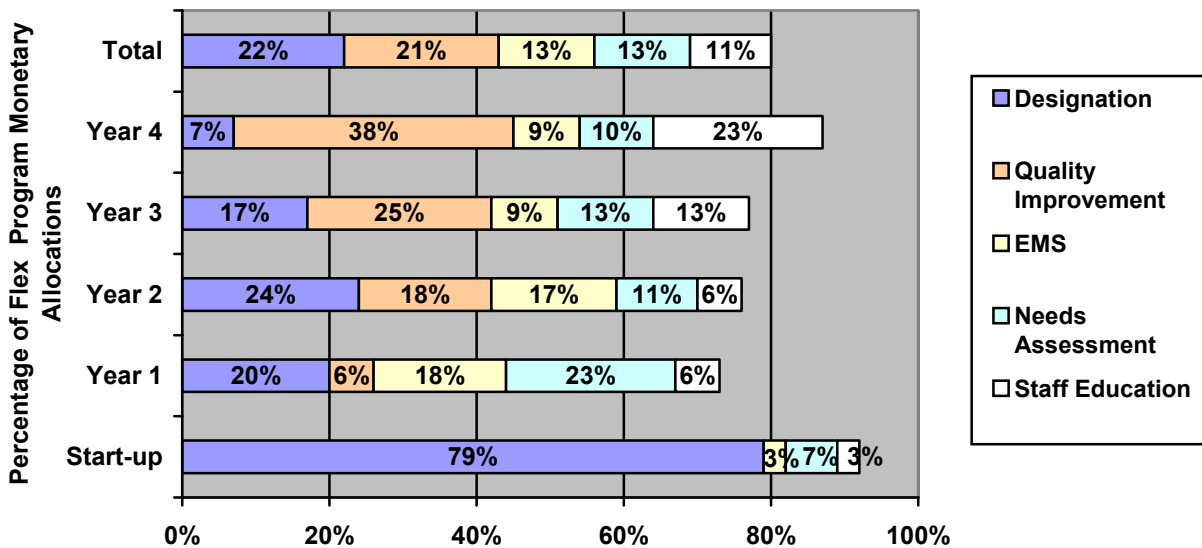
Summary of the Impact of Flex Program Allocations for Wisconsin CAHs

Approximately \$2.35 million was distributed to 28 Critical Access Hospitals from 1999 to 2003 through the Flex Program in Wisconsin. Nearly half of Flex Program allocations in Wisconsin were spent on CAH designation and certification activities (22% or \$512,000) and quality improvement activities (21% or \$484,000). The following chart shows how Flex Program allocations were used by CAHs during the 5-year period.



Over time, CAH use of Flex Program monetary allocations has shifted as shown in the chart below. In the Start-up year,² nearly 80% of Flex Program funds distributed to hospitals were used for CAH designation and certification activities, compared to 7% in Year 4. These activities might have included financial feasibility studies, equipment or facility improvements, planning, or staff and consultant time for completing the applications, facilitating physical plant and equipment upgrades, preparing for state surveys, etc. As time passed, more hospitals achieved CAH designation. Therefore, smaller proportions of the Flex Program allocations were needed for the designation process in the later years of the program.

Percentage of Flex Allocations Spent on Top 5 Categories from 1999-2003



By contrast, in the Start-up year, 0% of the Flex Program allocations were spent on Quality Improvement. By Year 4, however, 38% of all allocations were devoted to QI by CAHs participating in the program. Hospitals, having achieved CAH designation, were able to concentrate on quality initiatives and other programming activities in the later years of the Flex Program. The percent of Flex Program allocations used for staff education also increased from 3% in the Start-up Year to 23% in Year 4.

A larger proportion of allocations was used for needs assessment in Year 1 than in any other year of the program, indicating an emphasis on assessing local conditions as a precursor to hospital planning and program expansion in later years. Years 1 and 2 also showed an emphasis on EMS expenditures. This reflects the importance the Flex Program and CAHs placed on upgrading EMS systems for rural underserved populations.

² Start-up Year = Jan. 1 – June 30, 1999
 Year 1 = Sept. 1, 1999 – Aug. 31, 2000
 Year 2 = Sept. 1, 2000 – Aug. 31, 2001

Year 3 = Sept. 1, 2001 – Aug. 31, 2002
 Year 4 = Sept. 1, 2002 – Aug. 31, 2003

The following table summarizes CAH use of Flex Program allocations in Wisconsin for each year of the program in Wisconsin.

Table 1: CAH Use of Flex Grant Allocations in Wisconsin 1999-2003

	<i>Start-up</i> <i>1/1/1999- 6/30/1999</i>	<i>Year 1</i> <i>9/1/1999- 8/31/2000</i>	<i>Year 2</i> <i>9/1/2000- 8/31/2001</i>	<i>Year 3</i> <i>9/1/2001- 8/31/2002</i>	<i>Year 4</i> <i>9/1/2002- 8/31/2003</i>	<i>5 Year Total</i>
Designation	79%	20%	24%	17%	7%	22%
Quality Improvement	0%	6%	18%	25%	38%	21%
EMS	3%	18%	17%	9%	9%	13%
Needs Assessment/ Planning	7%	23%	11%	13%	10%	13%
Staff Education	3%	6%	6%	13%	23%	11%
Telehealth	0%	13%	8%	4%	10%	8%
Patient Education	0%	3%	2%	12%	3%	4%
Recruitment	0%	6%	6%	2%	0%	4%
Community Development	5%	4%	6%	1%	0%	3%
Network	0%	0%	0%	4%	0%	1%
Miscellaneous	3%	1%	2%	0%	0%	1%
Total	100%	100%	100%	100%	100%	100%

Overall, CAH hospital administrators and staff who participated in this evaluation said that they were able to make positive changes in their facilities due to the Flex Program allocations. Some hospital representatives felt that the ability to achieve CAH designation was an important impact as shown in the following quote:

[Flex Program] provided the initial [funding] to motivate local community support of the hospital [to convert to CAH status]. The financial impact was moving from a 1.7 million loss to a 0.3 million gain in one year.

Other CAHs were able to achieve significant facility improvements, as another CAH representative explains:

The facility planning dollars were also monies that would not have been available except for the Flex grant. The planning has led us to an addition and remodeling of the hospital that is much needed to accommodate changes in the ways we provide services as well as the services themselves.

Program enhancement, community education and outreach, and staff recruitment were also cited as important overall impacts of the Flex Program:

- 1. Recruited new provider staff, including physicians and certified nurse midwife.*
- 2. Obtained relevant information about the local "market" to enable the creation of an information (fact based) strategic plan for the local hospital.*
- 3. Begin to create internal public/professional information/education documents that could change with the changes in local healthcare practices*

This evaluation shows that the Flex Program has provided vital financial resources to Wisconsin's Critical Access Hospitals. Flex Program allocations have been important in enabling the hospitals to achieve CAH designation and to implement changes that improve hospital programs and services. In particular, Wisconsin CAHs have concentrated on Quality Improvement, EMS, needs assessment and staff education. According to the CAHs who participated in this evaluation, the Flex Program has played a significant role in improving rural hospital services for the rural and underserved communities of Wisconsin.

Analysis of the Impact of Flex Program Allocations by Category

Designation Category

Twenty-two percent of total Flex Grant allocations to Wisconsin CAH hospitals was spent on items related to CAH designation and conversion. This represents nearly \$512,000 over five years on the conversion of 28 CAHs in the state. Designation and conversion expenses tended to include the following types of purchases:

- Financial feasibility studies to determine if conversion to CAH status would be a financial benefit to the hospitals
- Equipment or facility improvements to bring the facilities into compliance with state codes and regulations
- Planning regarding internal processes in order to facilitate transition to CAH status
- Hospital staff time or consultant time to facilitate transition including completing the applications, facilitating physical plant and equipment upgrades, and preparing for state surveys, etc.

As one CAH representative put it:

The flex grant has allowed the hospital to allocate sufficient resources to do the preparation, feasibility research and planning to become a CAH. It also assisted in meeting all state requirements ...to qualify for CAH Status. Defraying the cost of upgrading the sprinkling system is an example.

From another CAH representative whose hospital used Flex funds for a financial feasibility study:

The [financial feasibility] analysis showed that financially, it was to our advantage to convert to a CAH. Solidified our decision to convert to a CAH.

Quality Improvement Category

Twenty-one percent of Flex Program allocations to Wisconsin CAHs were spent on Quality Improvement. This was the second largest Flex Program expenditure category, representing \$484,000 in purchases. Quality Improvement is the broadest of all expenditure categories, engulfing a wide variety of expenditure types. Some typical types of Quality Improvement purchases are listed here:

- HIPAA related purchases such as HIPAA training for staff, HIPAA software programs, and billing and coding improvement
- Equipment upgrades to improve patient care, staff efficiency or staff competencies
- Staff and consultant time for planning policies and procedures
- Expansion of in-house training capacity at hospitals in order to maintain and improve staff competencies with minimal travel requirements
- Participation in established Quality Improvement programs, independent evaluation of hospital compared to appropriate benchmarks or physician chart review programs
- Patient satisfaction surveys to analyze and improve customer service
- Expansion of services and programs such as patient safety programs

When describing their Quality Improvement expenditures, some CAH representatives focused on customer service and quality of care:

The grant helped us send 15 employees to Disney Institute to attend a customized customer service training seminar. Internal teams are working now to develop our customer service philosophy and program to ensure that our patients are provided with the service they deserve. In our own words, "With our hearts and minds, we are touching lives."

Another CAH representative described the financial impact of their Quality Improvement expenditures:

By reviewing the responses to these [Patient Satisfaction] surveys, we can alter our services and/or operations where necessary, to better serve the patients. Positive responses have an impact on personnel morale, which in turn leads to more positive interactions with patients and co-employees. This may also lead to increases in patient contacts, thus having a positive financial impact.

Others seized the opportunity that the Flex Program funds provided to share information with their communities about the changes in their services since CAH conversion:

These grant funds enabled us to [advertise] the additional local healthcare choices to our community [new clinic established when hospital converted to CAH]. Demographically, we have an aging population that will become less mobile. Access to local healthcare will be very important to them.

Most CAH representatives described the nuts and bolts of Quality Improvement initiatives when asked about the impact of these expenditures, as the following quotes demonstrate:

Physician chart audits by the [Rural Wisconsin Health Cooperative]. The charts are being sent out because we are a small rural hospital and physicians are reluctant to audit one another. Impact on services: this has given us an avenue to independently audit physician practice with unbiased review. The chart audit review information is fed back to the individual provider, which impacts this physician's practice and potentially improves patient care.

[A review hospital billing procedures] was necessary to stay in compliance with all Medicare billing regulations. It was not completed to increase financial reimbursement. With Medicare billing changes occurring at a steady pace, personnel need to be fully informed of correct coding and billing practices.

Emergency Medical Services (EMS) Category

The fourth largest expenditure type was EMS, representing 13% of all Flex Program purchases by Wisconsin CAHs or approximately \$304,000. Some EMS-related expenses, however, were categorized as either Quality Improvement or Staff Education purchases. For example, an Emergency Room audit was categorized as a Quality Improvement expense for one CAH. And, EMS training for all nursing and emergency department staff was categorized as Staff Education for another. Therefore, the percentage of EMS-related purchases may be slightly underestimated in this evaluation.

Most EMS expenditures fit into one of three types of purchases as listed here:

- Equipment purchases or upgrades to expand or improve EMS services
- Evaluation and assessment of current or proposed EMS services
- Emergency medical training to improve hospital staff competencies or for local EMTs and other community representatives.

When describing the impact of their EMS purchases, some CAH representatives emphasized issues specific to their rural locations, as shown in the following quote:

[Implemented a] feasibility study regarding allowing the EMTs to receive IV technician skill level. Will train 20 EMTs on the [local] Service. Once trained [we] can upgrade service to IV and offer services 365 days/year and 24 hours/day... Since we cover 7000 square miles, much of which is remote wilderness area with extrication times of 10-20

minutes and response times of 25-30 minutes to the most distant areas of our territory. The ability to start an IV and do more advanced skills may be life saving.

Some hospitals enhanced community connections through Flex Program funded EMS assessments:

Information [from EMS assessment] facilitated better communication between hospital and county ambulance service. Information enabled county board to increase ambulance service [and] justified [the] cost increase.

[Provided] education for First Responders [at the local] Fire Department.

Others discussed the importance of EMS equipment purchases:

Purchased blood pressure monitor for the transfer ambulance. Had to remove one from the ER to put in ambulance when transfers were necessary before purchase.

[Purchased] second cot/gurney for the trauma room. On occasions, there are several emergency cases in simultaneous need and this allows the facility to use two bays at once with similar equipment.

Needs Assessment / Evaluation Category

Thirteen percent or approximately \$312,000 of Flex Program allocations to CAHs was spent on needs assessments or evaluations. These expenditures tended to fall into the following areas:

- Primary data analysis of community health needs and perception of local hospital and health care system
- Secondary data analysis of community health needs
- Evaluation of hospital facility or operations

Most hospital representatives felt that assessments and evaluations helped them to customize services and expand to meet local, documented health needs, as illustrated in the following quotes:

Helped us identify community health needs, which guide us in our strategic planning for hospital and community services.

Shared information [from assessment] with countywide providers (Dept of Aging, etc.). Helped hospital to determine type of consultant physicians that we should promote in the community.

Utilized [assessment] for physician recruitment. Also adding oncology service to rural area.

Staff Education Category

Approximately \$255,000 or 11% of all Flex Program allocations in Wisconsin were spent on staff education for the CAHs. There was wide variation in the type of training that each hospital pursued for its staff members. Several hospitals, however, invested in training their staffs for

emergency and trauma situations. When describing the impacts of the staff training, hospital representatives had these things to say:

[Advanced Cardiac Life Support] Certification of 10 staff persons] increased knowledge of staff nurses and physicians. EMS providers became more willing to bring patients to the hospital. Emergency room visits increased.

Improved our response planning capabilities in the ER and for area EMS responders.

Staff certification in [Advanced Cardiac Life Support] helped to meet national standards...

Telehealth Category

Eight percent or nearly \$182,000 of Flex Program allocations was spent on telehealth. These expenditures included the following:

- Assessment of the hospital's readiness to implement telehealth / telemedicine services
- Equipment upgrades including telephone system upgrades and telehealth software

Equipment upgrades and assessments helped some CAHs expand services to their communities.

Provided appropriate telephone system for "foundation" of future telemedicine effort.

By having the ultrasound upgrade, which allows us to transmit the ultrasound directly through our teleradiology system for an immediate offsite read, we can better serve our patients by giving them faster, more accurate results. We do not see a direct financial impact of this service; however, indirectly, we may be able to reduce the number of transfers to other facilities, by having these results much sooner than before.

While some hospitals felt that the information from the group assessment was beneficial, others were unable to integrate assessment findings into their hospital plans:

We have not been able to assimilate the findings from this needs assessment ...

Patient Education Category

Approximately \$103,000 or 4% of Flex Program allocations to Wisconsin CAHs was spent on patient education initiatives. Again, patient education materials varied from facility to facility. But, many of the hospitals purchased systems to provide patients with standardized discharge instructions.

As one CAH representatives says:

Computerized data bank supported discharge and teaching program was purchased and installed in ER and Acute Care units. Training is now complete for hosp nursing staff. Patient and community impact: this program gives comprehensive discharge information in either adult or pediatric topic. Topics included are illness, treatments, diets, medications, dressings and equipment. With discharge information that is current and comprehensive there are fewer patient/parent questions once they are discharged. This

led to better compliance and decreased re-admissions. Nursing staff impact: data bank support for patient daily teaching and discharge instructions. Program enables patient specific instructions. Decreases staff time for teaching preparation. Hospital impact: Improved patient satisfaction and hospital utilization

Another CAH has taken its educational materials straight to the community:

The next item, the Health Calc. System, is a unique health education system designed to screen individuals and groups on over 43 different health indicators. The "calculation" results in a profile by individual (or group) that suggests ways to improve their health and the expected effect on their longevity. This program is targeted as a community education tool and is used in both health fairs and community groups promoting self-awareness and self direction in wellness.

Physician Recruitment Category

Approximately \$86,000 or 4% of total Flex Program allocations to CAHs was spent on physician recruitment efforts. Like EMS, however, some recruitment expenditures were included in other categories such as Quality Improvement. So, this may be an underestimate. Recruitment expenditures included the following:

- Advertisements in health care professional journals
- Outside health care professional recruiter services
- Travel expenses for potential candidates

One hospital representative explained the importance of having resources available for recruitment:

The Flex grant made possible the recruitment of a Physician and CRNA. Without help with these large recruitment expenses, the hospital may not have been able to accomplish this. The survival of the Hospital depends on being able to supply sufficient numbers of qualified medical providers.

Community Development Category

Three percent of all Flex Program allocations to CAHs were used for community development projects. Approximately \$71,000 was spent in this area. Community development initiatives included the following types of activities:

- Community screenings
- Community outreach, education and publicity campaigns
- Community education about the hospital's conversion to CAH

Network and Miscellaneous Categories

Network and miscellaneous expenditures each accounted for approximately 1% of Flex Program allocations or \$23,000 and \$20,000 respectively. Purchases categorized as miscellaneous tended to be equipment purchases.

Network activities at one CAH resulted in the development of 3 rural health clinics in 3 communities as described below:

Consultant report provided basis to organize Rural Health Clinics in 3 communities as provider based with Hospital.

Conclusion

This evaluation has shown that the Flex Program has provided vital financial resources to Wisconsin's Critical Access Hospitals. Flex Program allocations have been important in enabling the hospitals to achieve CAH designation and to implement changes that improve hospital programs and services. In particular, Wisconsin CAHs have concentrated on Quality Improvement, EMS, needs assessment and staff education. According the CAHs who participated in this evaluation, the Flex Program has played a significant role in improving rural hospital services for the rural and underserved communities of Wisconsin.

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