

CAH Finances in Turbulent Times

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A Performance Monitoring Resource for
Critical Access Hospitals, States, and Communities

Flex | University of Minnesota
Monitoring | University of North Carolina at Chapel Hill
Team | University of Southern Maine



Overview

- Recent Trends in CAH Finance
- Differences in values by key characteristics
- What do CAH administrators see for their future?



Overview

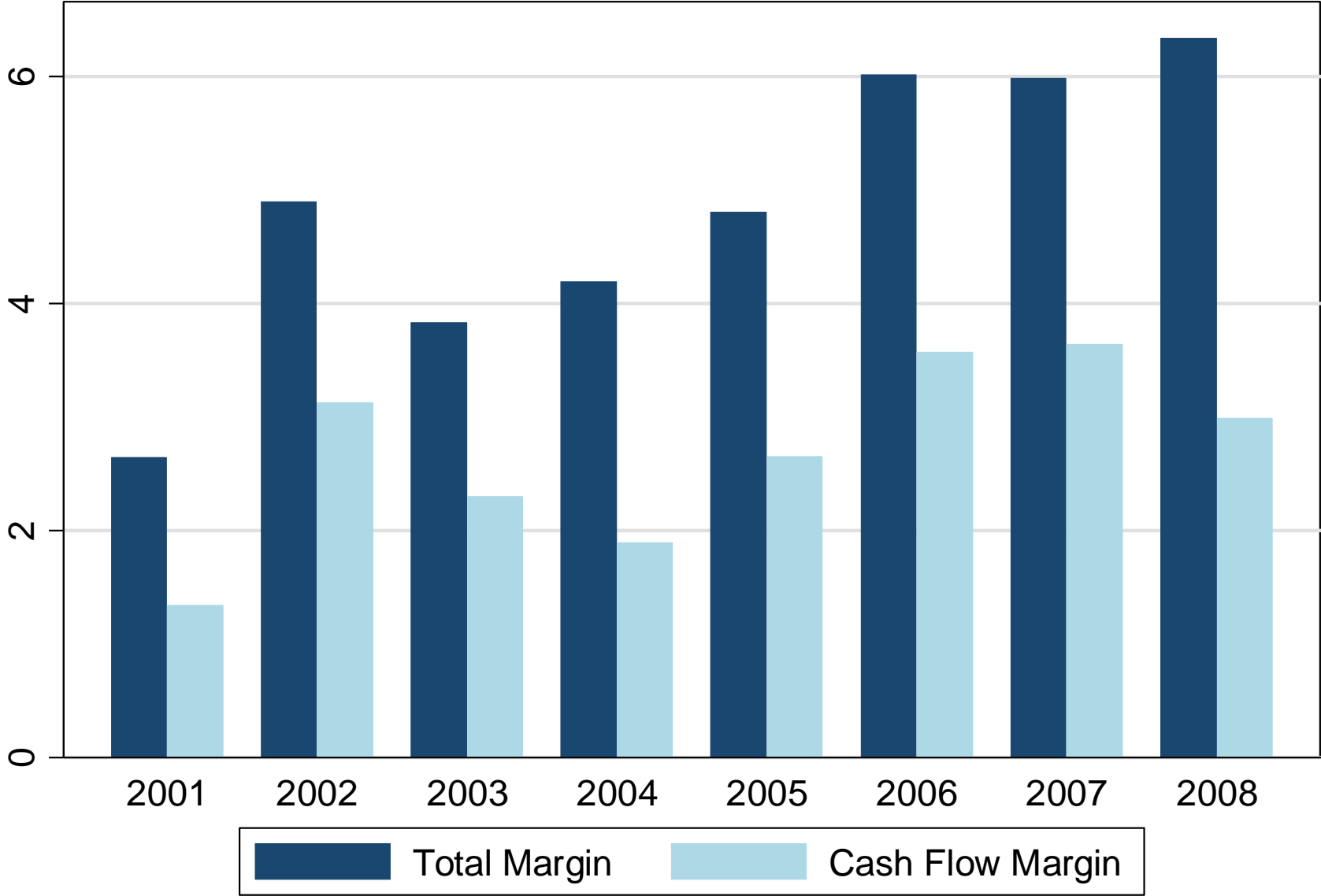
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Recent Trends

- Next few slides present data on CAHs with at least 360 days of data in Medicare Cost Report

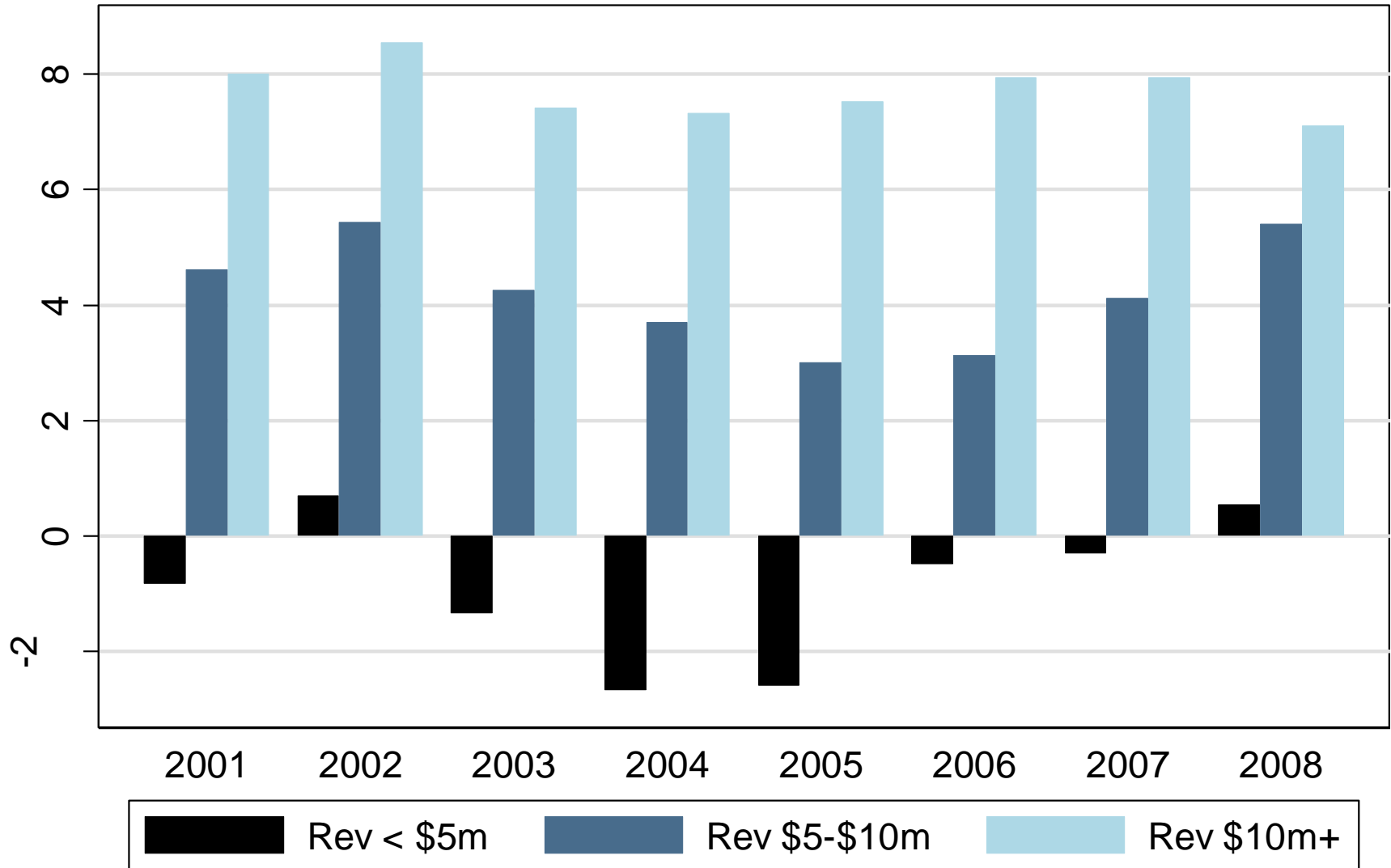
Median Total Margin and Cash Flow Margin



Median Total Margin and Median Cash Flow Margin have generally increased over past 7 years

Medican Cash Flow Margin

By Revenue Category



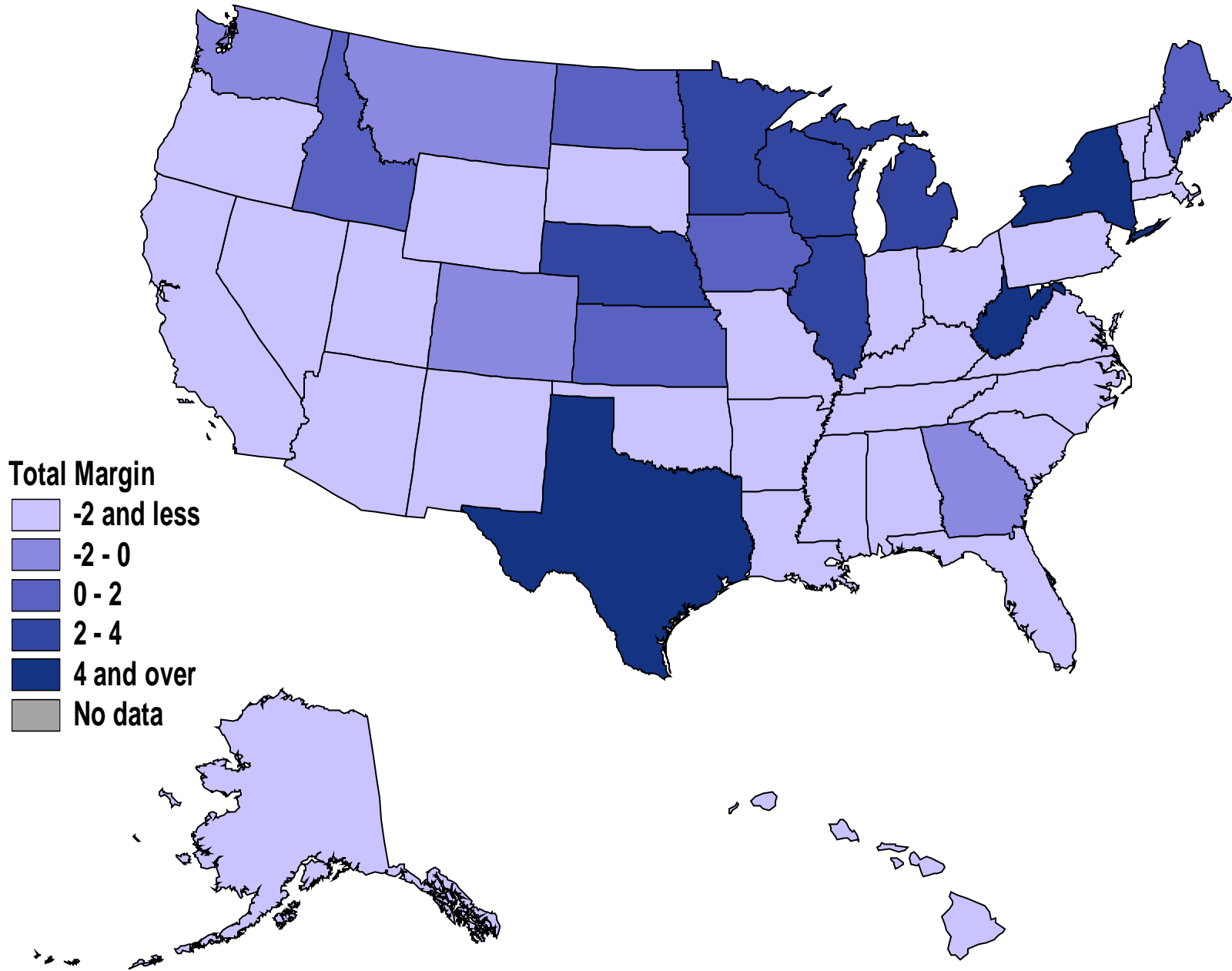
Each revenue category of CAH has similar pattern: decline 2002-2005, increase since. Note smaller hospitals consistently have poorer performance.



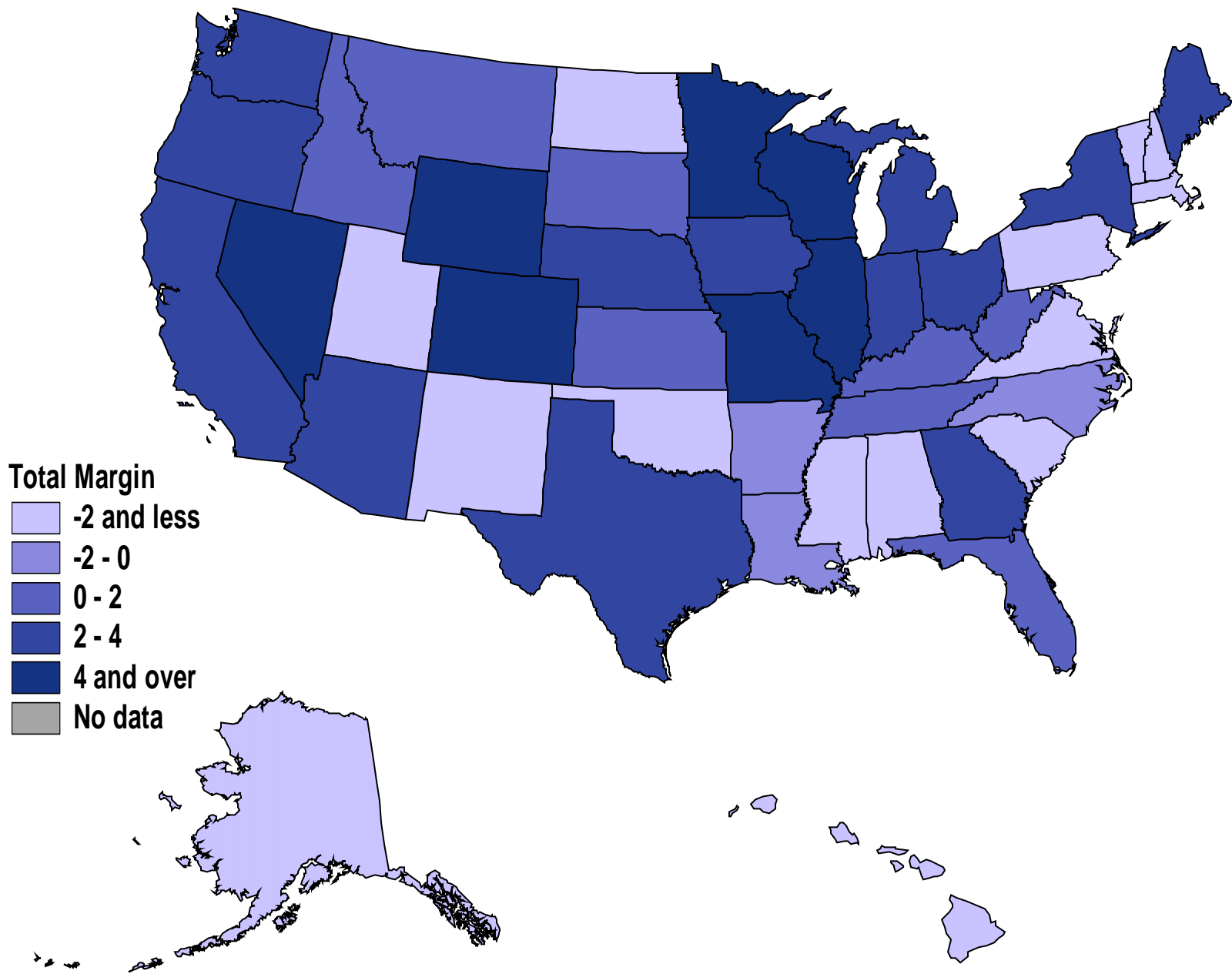
National Trends In Total Margin

- Overall, most states have experienced an upward trend in median total margin from 2001-2007

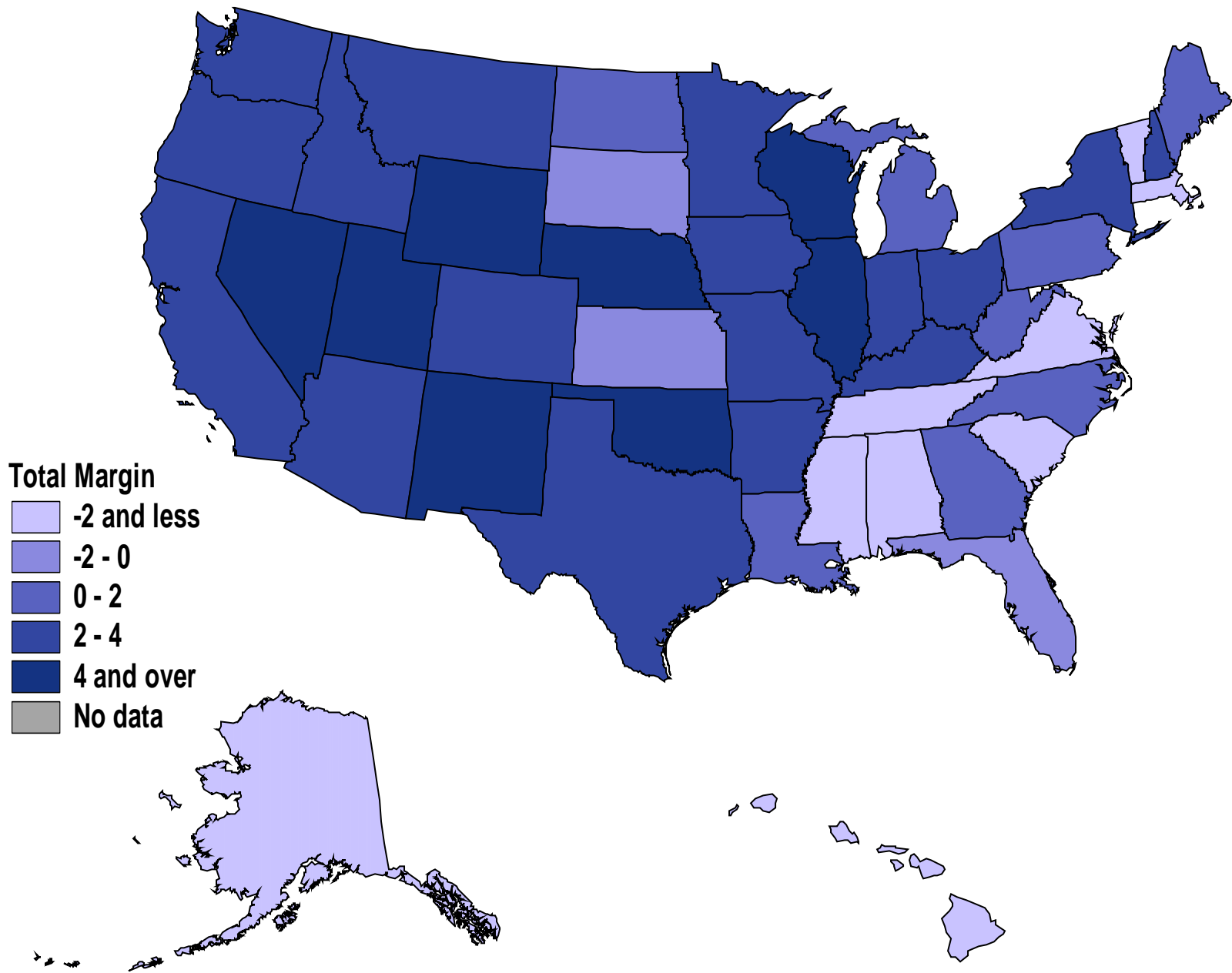
2001



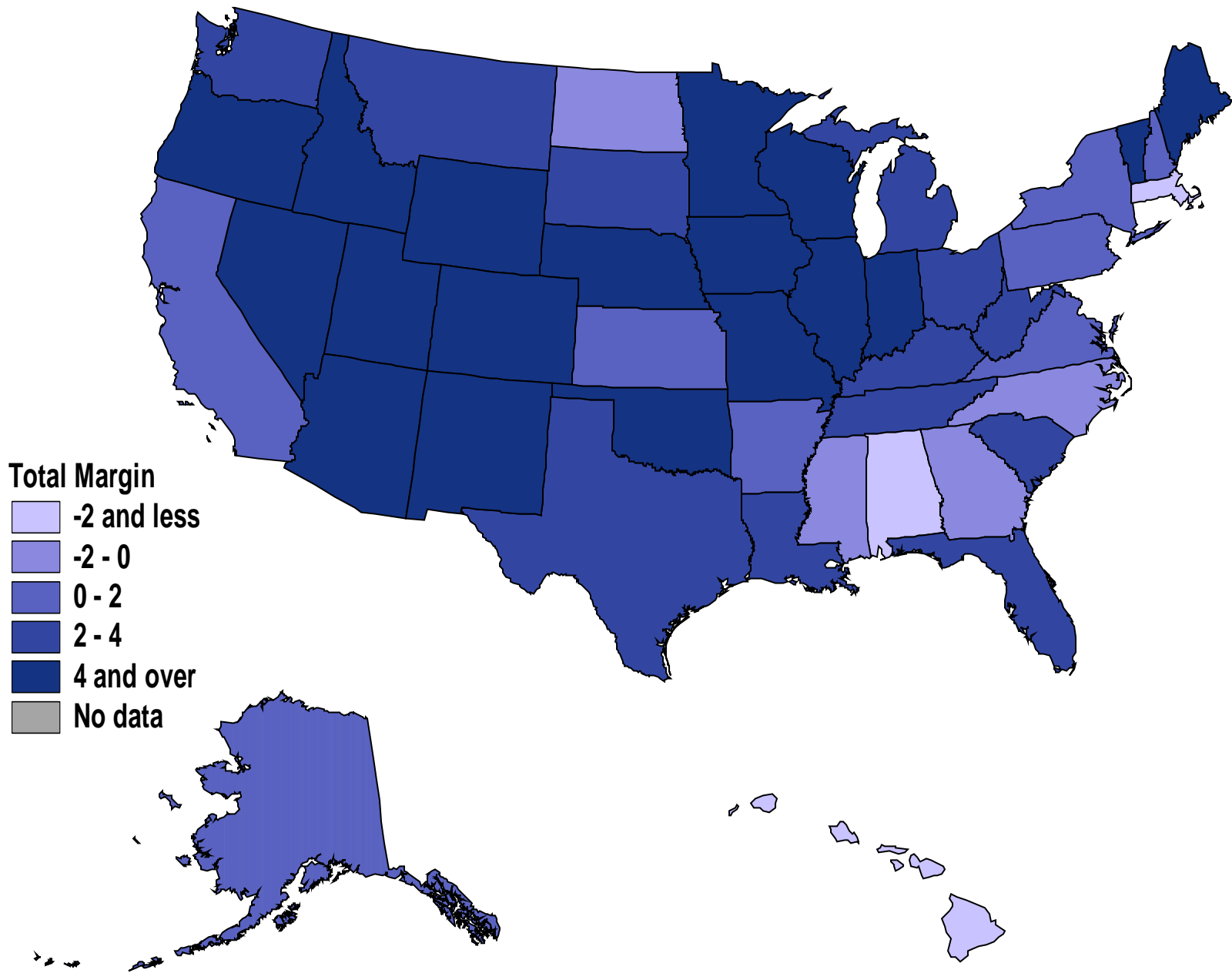
2003



2005



2007





Omnibus measure?

- Hard to examine multiple indicators at once – can these be combined?
- Flex Monitoring Team currently working on a measure to predict “financial distress”
- Interim measure: Financial Strength Index



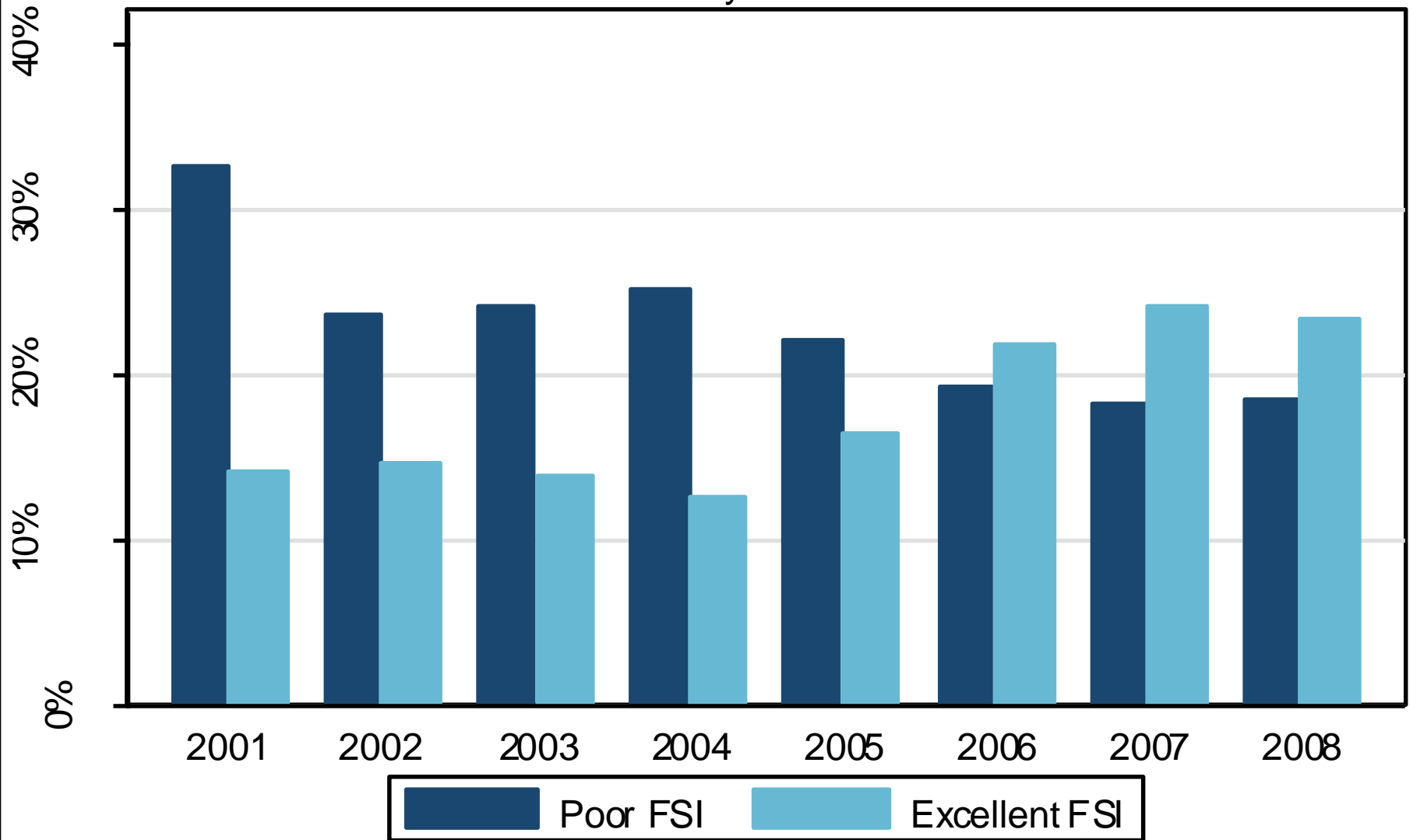
Financial Strength Index (FSI)

- Scales four key financial indicators
 - Total Margin
 - Days Cash on Hand
 - Debt Financing
 - Average Age of Plant
- Gets a “FSI” that captures strength on these four
- Creates four “categories” of Strength: Excellent, Good, Fair, Poor

See, e.g. Donkle R, Gullickson D. The Financial Effects of Critical Access Hospital Conversion. Rural Wisconsin Health Cooperative
<http://www.rwhc.com/papers/CAH.Financial.Effects.pdf>

Financial Strength Index of CAHs

By Year



All U.S. CAHs



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CAH characteristics

- CAH Financial Indicators Team has identified 4 CAH characteristics informative in determining financial performance. *Provides long term care* and *has a rural health clinic* are two.



Median Margins

By whether has long term care, rural health clinic (2007)

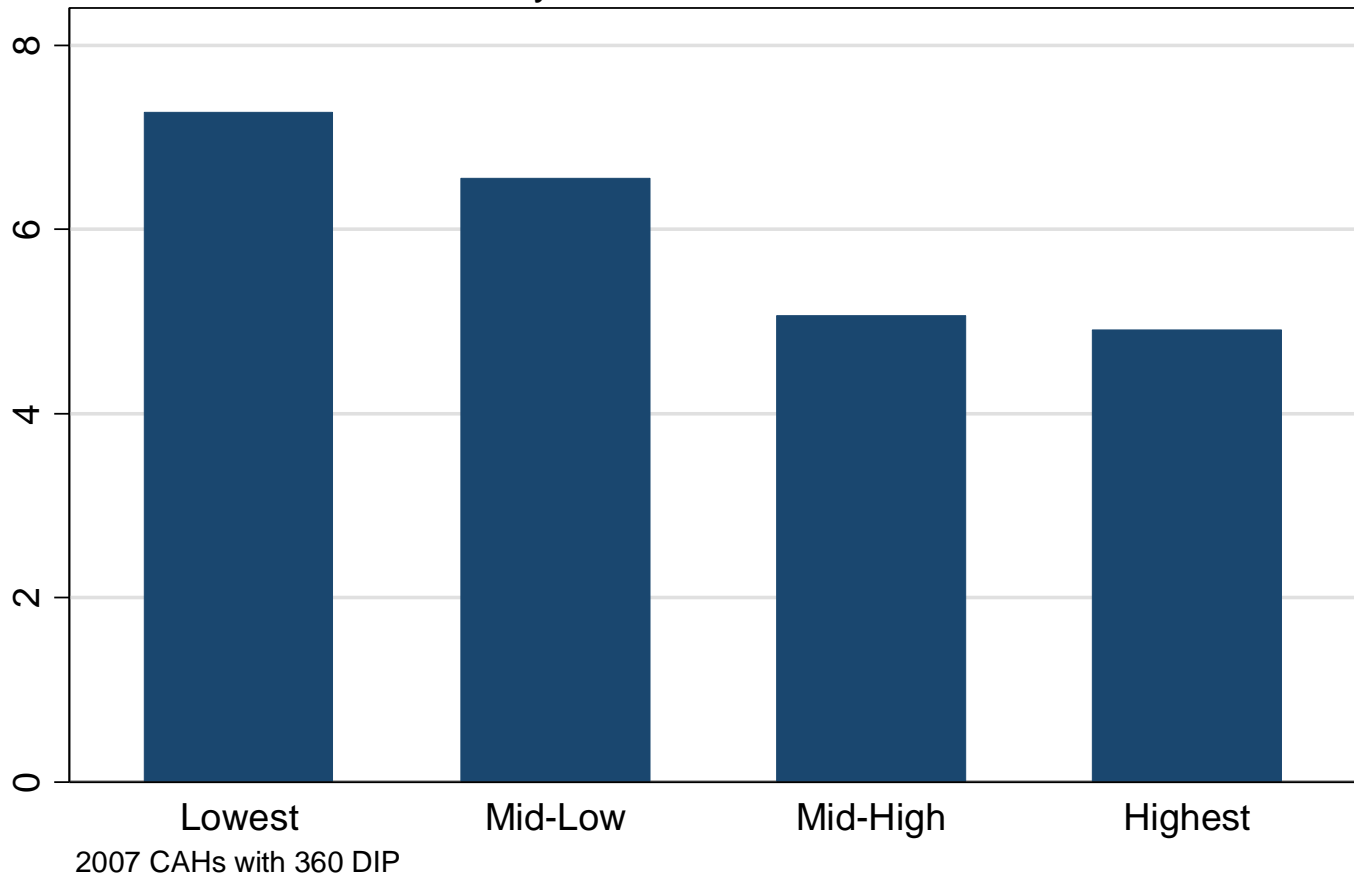
	No RHC	Has RHC	Total	<i>Total Margin</i>
No LTC	4.90	3.49	4.24	
Has LTC	3.56	1.65	2.69	
Total	4.44	3.02	3.64	
<hr/>				<i>Cash Flow Margin</i>
	No RHC	Has RHC	Total	
No LTC	7.94	5.04	6.78	
Has LTC	6.35	3.67	5.13	
Total	7.38	4.59	5.98	

CAHs with Long Tem Care and/or Rural Health Clinic have lower margins – and those with both have the lowest. Is this commitment to filling the mission of the CAH in the community?

Medicaid Payments

- To what extent does Medicaid reimbursement – which varies substantially across states – affect indicators?
- No good Medicaid index – use a “total” index
 - Hospital services not same as total; no CAH-specific provision
 - Source: Zuckerman S, Williams AF, Stockley KE. Trends in Medicaid physician fees, 2003-2008. *Health Aff (Millwood)*. 2009 May-Jun;28(3):w510-9.

Median Cash Flow Margin By Medicaid Fee Index



CAHs in states with higher Medicaid reimbursement (compared to national average) have *lower* cash flow margin.



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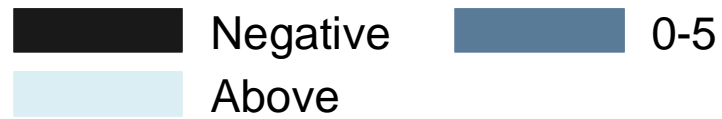
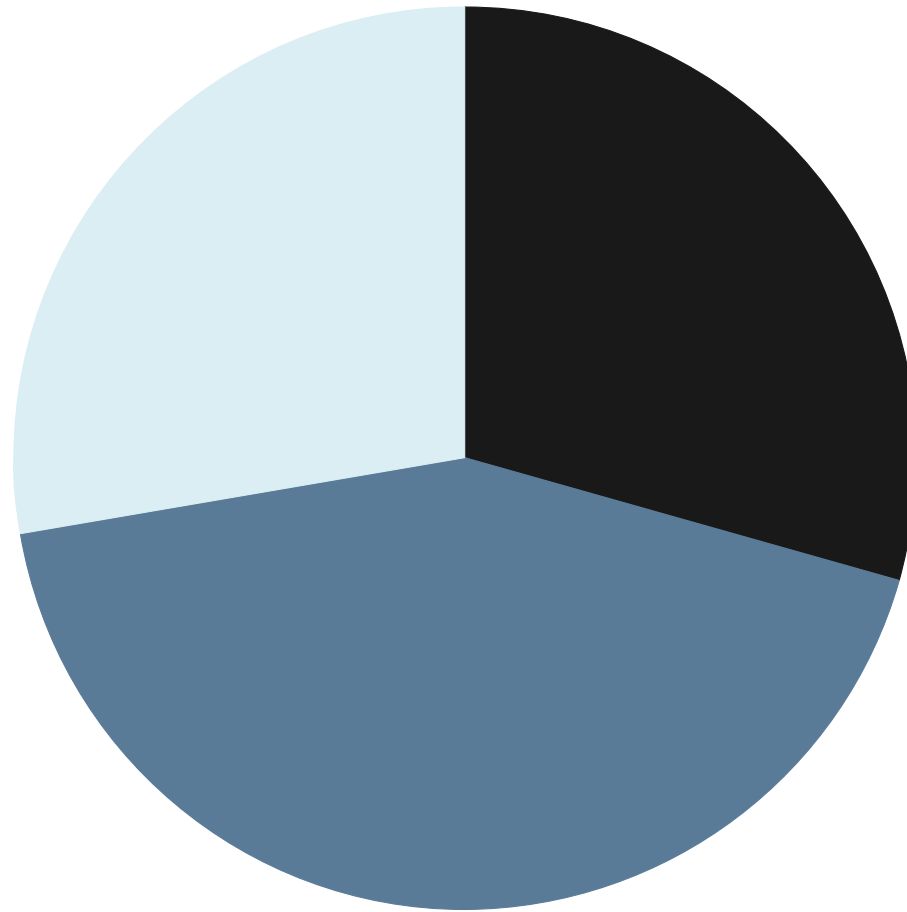
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CAH Administrator Survey

- Convenience sample of 177 CAH administrators
- August/September 2009 on CAH Document Delivery Website
- Among other questions:
 - What is your current total margin?
 - What do you think your total margin will be in one year?

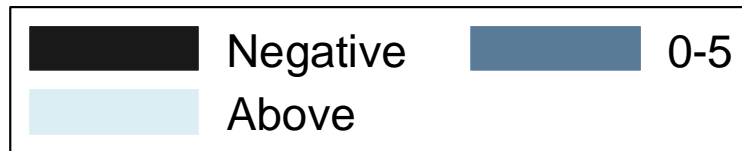
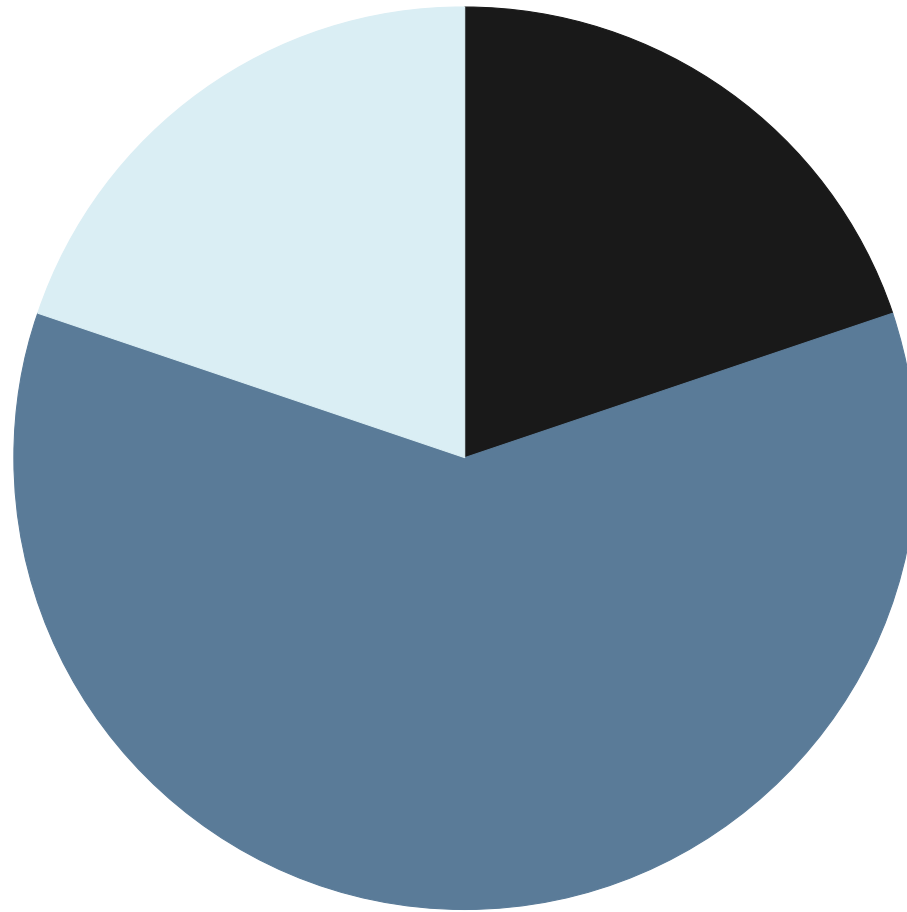
Current Total Margin



N=177. Data as of 21 Sep 2009

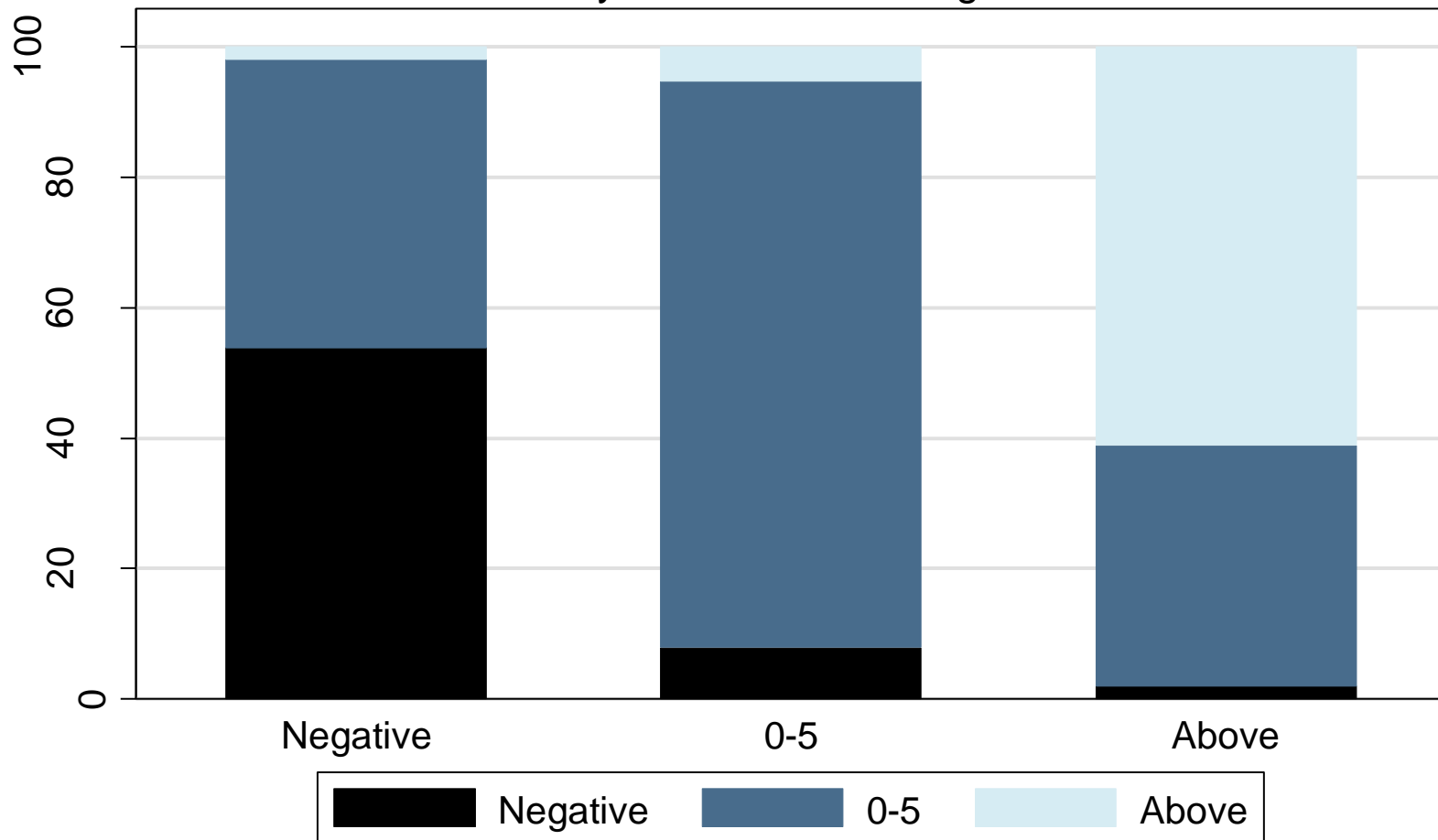
30 percent with negative margin is consistent with recent data

Forecasted Total Margin



N=177. Data as of 21 Sep 2009

Forecasted Total Margin By Current Total Margin



N=177. Data as of 21 Sep 2009

Most CAH administrators expect similar, if more moderate, margins next year.