

Innovative Alignment Options for Rural Hospitals

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Rural hospitals serve a unique population. According to the American Hospital Association (AHA) 2019 Rural Report, approximately 20 percent of Americans live in rural areas and tend to be more disadvantaged, older, sicker, and poorer than the national averages.¹ Because of this, rural hospitals face a challenging patient and payer mix, with the most significant payers typically being Medicare and Medicaid. As the healthcare landscape keeps changing, new challenges arise at rural hospitals adding to the existing challenges they already face. Per the AHA 2019 Rural Report, these challenges include access to technology, staff recruitment and retention, and increased operational costs. Further, the shift to value-based reimbursement is adding increased pressure to hospitals that are already struggling.

From a patient perspective, one of the primary reasons patients in rural communities do not seek medical care is because of the distance of healthcare facilities from patients' homes and the limited transportation options available. Various forms of alignment can address or partially mitigate these challenges, as we discuss in this article.

Another hurdle for rural hospitals can sometimes be depth of leadership. Often rural hospital boards are comprised of members from local organizations that do not have an abundance of healthcare experience. While board leadership is an excellent way for area residents to be involved in the provision of care to their communities, there may be gaps in the strategic planning needs to address the nuances that hospitals and other healthcare organizations face. The business of medicine is complex.

To address many of the challenges rural hospitals face, they frequently seek out forms of alignment with larger health systems to bridge the gap between the services they can offer and the challenges of providing care by or with someone else. In this paper, we will explain the hub-and-spoke alignment model and the advantages of pursuing this prototype for rural healthcare providers.

Traditional Alignment Models

Traditional alignment models may provide necessary support and financing to strengthen a rural hospital's clinical and economic performance. The [concept of alignment](#) is not new. However, newer forms of alignment are rising in popularity in addition to traditional

models we have historically seen, such as:

- Management Agreements
- Joint Ventures
- Acquisition or Lease

While these foundational models will continue to exist and be used in alignment arrangements for the foreseeable future, the traditional models require rural hospitals to give up control of operations to a larger health system to gain access to specific resources needed to serve their communities. Many rural hospitals are fiercely independent and giving up control is unsettling. Thus, they seek other ways to align outside of these traditional models that do not sacrifice total control. These evolving models embrace the services and resources available through a larger health system using the concept of a hub-and-spoke model.

Hub-and-Spoke Alignment Model

The hub-and-spoke model allows rural hospitals to access a health system's service network to provide specialty care to patients. It limits the rural facility's services and resources to do what they do best and with greater efficiency while providers at larger or better-equipped facilities address higher acuity cases.

There are challenges associated with a hub-and-spoke model.² One challenge identified in the report by Elrod and Fortenberry is that overextension of the spokes results in cases where the spoke-to-hub transit times are too burdensome because of the distance or transportation infrastructure. If patients cannot get to the hub site for care because of transit time or infrastructure closures, they cannot receive the services they need to address their health concerns. Another identified challenge is lack of autonomy, which can lead to dissatisfaction of the staff and providers at the spoke facility, i.e., the rural hospital, and there is a high-level reliance on both parties to make the hub and spoke concept work.

As noted, several evolving models work well in a hub-and-spoke concept that can be pursued alone or combined with other models. These include, but are not limited to:

- Telehealth
- EMR Donation
- Joint Ventures
- Visiting Specialists

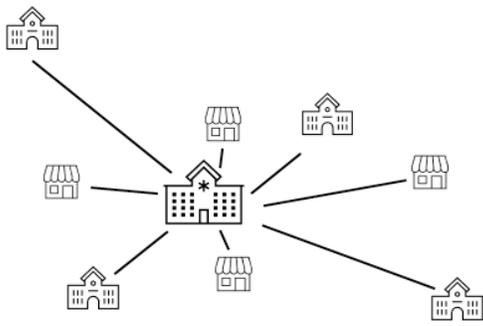


FIGURE 1: HUB AND SPOKE MODEL

Telehealth

Telehealth allows rural hospitals to tap into larger health system (the “hub”) resources remotely, without incurring the cost of employing a physician specialist. This service is available to many rural facilities that meet specific guidelines set forth by the Center for Medicare and Medicaid Services (CMS). As telehealth becomes more widely used as a resource, CMS is expanding reimbursement for the services. Telehealth allows patients to stay in their local hospitals to receive care, which addresses a significant challenge in many rural cities. The current COVID-19 health crisis is resulting in the rapid expansion of telehealth, on a temporary and emergency basis only, to allow patients to receive a wider range of health care services without having to visit a physician’s office or healthcare facility physically.³

Per the fact sheet issued by CMS on March 17, 2020,⁴ Medicare beneficiaries will be able to receive services through telehealth, including common office visits, mental health counseling, and preventative health screenings. The expanded offering allows Medicare beneficiaries to receive care through telehealth visits, virtual check-ins, and e-visits. Patients are now allowed to receive care from their homes and are not required to travel to sites of care, risking their health and safety, as many Medicare patients are at higher risk for illness. While this measure is temporary, it could set the stage for broader acceptance of telehealth in the future.

EMR Donation

EMR donations allow rural hospitals access to higher quality EMR systems and other electronic resources that they may not otherwise have access to due to cost constraints. On their own, most rural hospitals would not be able

to afford a robust EMR system. EMR donation creates interoperability between hospitals and increases patient satisfaction. As healthcare becomes more dependent on technology, access to the right EMR systems and programs will be necessary for hospitals to function. Through EMR donations, both the hub hospital and the spoke hospital can access a patient’s record and medical history on one system. This allows physicians at both sites to provide effective and collaborative care for a patient’s individual needs.

Joint Ventures

Joint venture services lines are often developed to provide services to meet the needs of a community. These services include cancer care or advanced cardiac care, among others, for which patients are otherwise traveling great distances to receive treatments. A rural hospital may enter into a joint venture arrangement with a nearby health system as part of the hub-and-spoke model. Or, they may join another third party to develop a program agreement for a specific service line that would benefit the community and patients where both parties have a financial interest in the service line performance. Each party would contribute cash and assets to develop the service line, and each party would obtain a financial interest in net service line revenues. The hub health system often supplies providers and other healthcare professionals to staff the rural hospital service line through professional services agreements (PSA) and management services agreements (MSA).

Visiting Specialists

Rural hospitals often lack specialists in the community, and patients must travel to seek specialty care at other facilities. In many cases, these services cannot be adequately addressed through telehealth. Similar to a joint venture service line arrangement, a health system may contract with the rural hospital to send specialists to local communities. The visiting specialist provides services a set number of times per week or month via a PSA arrangement. This type of agreement can be structured so that the health system incurs the expense of employing the specialists, and the rural hospital retains billing and collections rights. The rural hospital will compensate the providers at an agreed-upon rate for their services and retain the remaining collections to cover the cost of overhead incurred at the hospital for the services provided. The

arrangement allows the rural hospital to provide specialty care to patients they might otherwise forego because of the distance and cost of travel to see a specialist.

Conclusion

There are many different alignment options that range from full alignment and integration to service line arrangements that meet specific needs. While traditional models are still prevalent, many rural hospitals are finding ways to continue to provide quality care without losing their unique identities and autonomy. Thus, these newer models complement the more traditional models and pave the way for potential full alignment in the future. As pressures continue to mount, especially during the current health crisis, rural hospitals must take time to evaluate their specific needs and choose an alignment model that is appropriate both operationally and clinically. Every hospital and health system relationship is different. Each party should work together to evaluate what type of relationship makes the most sense for the community.

Endnotes

1 American Hospital Association 2019 Rural Report. <https://www.aha.org/system/files/2019-02/rural-report-2019.pdf>. Accessed May 4, 2020.

2 Elrod and Fortenberry BMC Health Services Research 2017, 17(Suppl 4):787. DOI 10.1186/S12913-017-2754-6. https://www.researchgate.net/publication/321771810_billboard_advertising_an_avenue_for_communicating_healthcare_information_and_opportunities_to_disadvantaged_populations. Accessed April 23, 2020.

3 Robeznieks Andis. “Key Changes Made to Telehealth Guidelines to Boost Covid-19 Care.” American Medical Association, March 19, 2020. <https://www.ama-assn.org/delivering-care/public-health/key-changes-made-telehealth-guidelines-boost-covid-19-care>. Accessed April 23, 2020.

4 Centers For Medicare & Medicaid Services, “Medicare Telemedicine, Health Care Provider Fact Sheet.” March 17, 2020. <https://www.cms.gov/newsroom/fact-sheets/medicare-telemedicine-health-care-provider-fact-sheet>. Accessed April 23, 2020.

Coker works with many rural health systems aiding them in determining what alignment models may best fit their needs, negotiating specific alignment transactions, and performing valuation work on the deals. We are here to assist at every stage of the alignment process.

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