STRENGTHENING GEORGIA’S RURAL HOSPITALS AND INCREASING ACCESS TO CARE

RECOMMENDATIONS FROM GEORGIA CONSUMER AND COMMUNITY GROUPS
Executive Summary

Rural hospitals are an indispensable component of economic vitality and population health in small communities throughout Georgia. Despite this essential role, the future of our rural hospitals—and the access to care they provide for rural Georgians—is in jeopardy. Eight rural hospitals have closed since 2001, four of them since the start of 2013. Rural hospitals are in financial peril in part because their patient population is comprised of large numbers of people without health insurance and with limited ability to pay for medical services. More detrimental for rural hospitals is the fact that Georgia has yet to adapt to the changing health care financing landscape, which dramatically reduces federal Disproportionate Share (DSH) payments to hospitals that see a large number of uninsured and Medicaid patients and instead incentivizes states to extend coverage to their low-income uninsured through at least a 90 percent federal match for Medicaid expansion.

To remain financially viable, hospitals must have a patient population that is largely insured, but hospitals cannot accomplish this on their own. State policymakers must act to make coverage opportunities available for low-income rural Georgians. As such, we recommend that Georgia policymakers accept federal funding to expand Medicaid eligibility to Georgia’s poor and low-income adults living at or below 138 percent of the Federal Poverty Level (FPL). By doing so, almost 600,000 Georgians, many of whom live in rural areas, could be newly insured, including the more than 400,000 who currently fall into the coverage gap. An additional 190,000 Georgians with incomes near poverty (between 100 and 138 percent of the FPL) who are currently eligible for Affordable Care Act Marketplace subsidies to help them buy private insurance would also be eligible for Medicaid if Georgia expanded the program. An increase in the number of insured Medicaid patients would alleviate the burden of uncompensated care on rural hospitals’ finances. Hospitals in states that have expanded Medicaid are projected to see greater savings than hospitals in states that have not expanded Medicaid. Georgia’s portion of the savings from uncompensated care would be greatly increased if Georgia accepted the billions of dollars in federal funding available to expand its Medicaid program. This would leave Georgia’s hospitals in a more financially sound position.
Medicaid expansion is critical to maintaining Georgia’s system of rural hospitals. State leaders across the country on both sides of the aisle have recognized the dire need for Medicaid expansion in preserving and enhancing health care services in rural areas. States with diverse demographics, health care utilization patterns, and political environments have taken the step of expanding Medicaid to strengthen their states’ health standing, and they have taken a variety of approaches.

By January 2015, 28 states will have expanded Medicaid eligibility to take advantage of billions of new federal funds for their health care systems while extending coverage to millions of low-income Americans. The benefits of extending coverage to more residents have also caused many states that initially opposed Medicaid expansion to reconsider their decisions. Several of these states have sought federal “waivers” that allow greater flexibility in crafting their expansion, while still ensuring the consumer protections that make Medicaid such a successful program.

In Georgia, expanding the Medicaid insured population could alleviate a number of bleak economic realities facing rural hospitals and consumers. Furthermore, the experiences of other states show that increased access to health coverage through Medicaid expansion benefits citizens, hospitals, providers, and communities. Georgia has the opportunity to reap the same benefits and strengthen its rural hospitals.

Closing the coverage gap is the critical first step to stabilizing Georgia’s rural hospitals and increasing access to care for rural Georgians. But it is still a first step. Georgia should explore additional policies to increase provider capacity and Medicaid participation in rural parts of the state. As organizations with commitments to improve the health of our state, the signatories to this report are available to help provide input and stakeholder feedback on policy approaches that state policymakers consider.
Rural hospitals: economic engines, community cornerstones

Rural hospitals are an indispensable component of economic vitality and population health in small communities throughout Georgia. They drive the local economy in places that often lack economic investment, creating stable middle-class jobs. Hospital workers earn an average of about $28 per hour for full or part-time work, and even the lowest paying jobs in hospitals are compensated on average more than $21,000 annually (about 180 percent of the FPL for a single adult or 105 percent FPL for a family of 3). Additionally, for every one hospital job in Georgia, 2.27 jobs are created in the surrounding community. In rural areas, where the unemployment rate is 9.5 percent (compared to 7.4 percent in urban areas), these jobs are precious.

In addition to this important economic function, Georgia’s sixty-three rural hospitals play a central role in meeting the health care access needs of local community members. Rural Georgians face both financial and non-financial barriers to accessing care. In addition to lower incomes and higher rates of uninsurance, rural Georgians have limited transportation options, which makes the ability to access comprehensive health care services in their own community acutely important for these individuals and families. Rural hospitals help meet this need by serving patients who are uninsured and unable to pay for necessary medical services as well as insured residents who lack the resources to travel outside of their own community to seek care.

Rural hospitals: a community asset at risk

Despite the essential role that rural hospitals play in maintaining economically viable communities and providing a range of prevention and treatment services, including obstetrical and gynecological care, behavioral health, disease management, and
emergency services to help meet local health care needs, their future is in jeopardy. Eight rural hospitals have closed since 2001, four of them since the start of 2013. In addition to those that have already closed, some rural hospitals have reduced critical services as their financial constraints have tightened. When services are unavailable in the local community, rural residents must travel long distances to receive care. However, this travel is impossible for some. Rural Georgians tend to be older and poorer than residents in other parts of the state. Nearly one in four rural Georgians lives in poverty, as compared to 18 percent in Georgia’s non-rural communities. The elderly and those with low-incomes may not be able to drive because of vision or mobility issues or because they cannot afford a car. This means relying on public transportation (which is almost nonexistent in rural areas) or family members for transportation to doctor’s appointments. Often those with low incomes work multiple jobs and cannot take time off from work for medical appointments. Those with physical or developmental disabilities experience similar problems when seeking care outside their local community, as they often cannot drive themselves. If rural hospitals continue to close or reduce services, and medical care is unavailable in local communities, we can expect a growing number of rural Georgians to forgo necessary medical care altogether, placing their health and productivity at risk and exacerbating existing health disparities between these rural Georgians and their urban and suburban counterparts.

A shifting health care delivery and financing framework

Rural hospitals are in financial peril in part because their patient populations are comprised of large numbers of people without health insurance and with limited ability to pay for medical services. More importantly, Georgia has not yet adapted to the changing health care financing landscape, which incentivizes states to extend coverage to their low-income uninsured through at least a 90 percent federal match for Medicaid expansion while reducing payments to hospitals for treating the uninsured. To remain financially viable, hospitals must have a patient population that is largely
insured, yet hospitals cannot accomplish this on their own. State policymakers must act to make coverage opportunities available for low-income rural Georgians. Federal health care dollars are on the table for coverage expansions so that hospitals can be reimbursed for the services they deliver, but Georgia has so far declined to accept those dollars. At the same time, the federal dollars that were historically available to compensate them on the back end for treating uninsured patients are going away. If Georgia does not align its state policies and financing with this changing landscape and framework, hospitals will continue to struggle and patients will remain uninsured, worsening the health and economic prospects for our treasured rural communities. As such, we recommend that Georgia policymakers accept the billions of dollars in federal funding available to expand Medicaid eligibility to Georgia’s poor and low-income adults.

Closing the coverage gap, shoring up hospital revenues: The Medicaid Expansion option

The Affordable Care Act (ACA) seeks to dramatically increase health coverage through two key paths: 1) the law creates a new Medicaid eligibility category to cover all adults with incomes below 138 percent FPL who do not currently qualify for Medicaid; and 2) the law provides subsidies for Americans to purchase private health insurance through a new health insurance marketplace. While the Medicaid expansion was initially

More than 400,000 Georgians living in the coverage gap are our state’s working poor. They often have jobs that do not come with health benefits and/or have incomes that make private insurance (even when offered by their employer) financially out of reach. Around sixteen percent of the state’s adult poor live with disabilities that do not qualify them for Medicaid. These Georgians fall into the coverage gap: they are too poor to qualify for financial help to pay for health insurance, and they are ineligible for Medicaid.
passed as a requirement for states, the U.S. Supreme Court’s decision on June 28, 2012 in National Federation of Independent Business v. Sebelius effectively made it optional. Medicaid expansion was intended to provide a health insurance coverage option for individuals living at or below 138 percent of the FPL who cannot afford to pay even a minimal monthly amount for private insurance. Because Georgia has opted not to expand its Medicaid program, Georgians with incomes below the federal poverty level are not eligible for Marketplace subsidies and cannot get coverage through Medicaid. These Georgians fall into a coverage gap: they are too poor to qualify for financial help to pay for health insurance, and they are ineligible for Medicaid. Many of the more than 400,000 Georgians living in the coverage gap are our state’s working poor. They often have jobs that do not come with health benefits and/or have incomes that make private insurance (even when offered by their employer) financially out of reach. Continuing to reject new federal funds that pay the vast majority of the costs of Medicaid expansion hurts Georgia’s health care system by leaving its working poor, low-income parents, and veterans without access to affordable health care coverage and, therefore, its hospitals without a source of revenue when treating these patients.

Residents of rural communities tend to be older and poorer and have shorter average life spans than their urban and suburban counterparts. They also experience higher rates of diabetes, stroke, obesity, and asthma, and reduced access to preventive health services, like mammograms. Georgia has the third largest population of uninsured residents of any state, and those whose income is below the poverty line are among the most likely to live without coverage. Because rural Georgians are poorer than urban and suburban Georgians and because Georgia’s existing Medicaid eligibility thresholds for adults are very limited, they are more likely to go without health insurance. In Georgia today, childless adults who fail to meet the Social Security Administration’s disability standards cannot qualify for Medicaid regardless of their income, unless they are pregnant, have breast or cervical cancer, or receive only family planning services. Parental eligibility for Medicaid is only slightly more generous, as only parents with incomes below about half the poverty level (less than $9,000 annually for a family of three) are eligible.
Around sixteen percent of the state’s adult poor live with disabilities that do not qualify them for Medicaid. Many of these Georgians are uninsured, and often face the double bind of not being eligible for Medicaid while also not having enough income to afford medical care. In general, lacking health insurance reduces access to primary care and other health care services that help people diagnose and then manage chronic conditions such as heart disease, asthma, diabetes, obesity and even early stage cancers. When people are unable to manage chronic conditions, they may instead seek treatment in local emergency rooms when their conditions reach a crisis point. Hospitals subject to the Emergency Medical Treatment and Labor Act (EMTALA) must treat these patients regardless of their ability to pay. The funding that Georgia hospitals have historically received to compensate them for seeing uninsured patients is declining, but they could receive reimbursement for treating these same patients if the state closes the coverage gap and enables low-income Georgians to enroll in Medicaid. Further, if these patients have coverage, they will be more likely to seek care earlier, potentially avoiding costly emergency room visits down the line.

The growing costs of uncompensated care, brought on by Georgia’s large population of uninsured patients, continue to significantly strain hospital finances. In 2012, Georgia hospitals provided more than $1.6 billion in unpaid care, an increase of about $60 million from 2011.

“Very few businesses can operate long term when nearly twenty percent of its customers cannot pay,” said Earl Rogers, President and CEO of the Georgia Hospital Association, referring to the fact that nearly 1.9 million Georgians, more than 20 percent, are uninsured. Among adults ages 19 to 64, the percent uninsured jumps to 23 percent. At a recent Rural Hospital Stabilization Committee meeting, Greg Heam, CEO of Ty Cobb Regional Medical Center, said that his hospital only recoups about 3 percent of the cost of care from an uninsured patient.

While increased coverage opportunities made available through the new federal health insurance marketplace enable more Georgians to get health coverage (more than 250,000 Georgians enrolled in health insurance through the new federal health insurance marketplace), Georgia continues to lag behind other states in 2014. The nation-wide uninsured rate fell by 3.9 percentage points from 2013 to 2014, but
Georgia’s uninsured rate fell by barely more than one percentage point to 20.2 percent, the third highest rate of any state.\textsuperscript{17}

Multiple studies have concluded, not surprisingly, that states expanding Medicaid are experiencing the most dramatic coverage gains. States that have implemented Medicaid expansion have seen large declines in their uninsurance rates for adults, compared to non-expansion states. In the last eighteen months, the uninsurance rate for nonelderly adults dropped 6.1 percentage points in the expansion states, compared with 1.7 percentage points in the non-expansion states.\textsuperscript{18} And it is the Medicaid expansion that would capture the lowest-income uninsured who currently have the least ability to pay when they seek care.

If Georgia accepts the federal funds and expands eligibility for Medicaid, almost 600,000 Georgians, many of whom live in rural areas, could be newly covered by health insurance, including the more than 400,000 who currently fall into the coverage gap. An additional 190,000 or so Georgians with incomes near poverty (between 100 and 138 percent of the FPL) who are currently eligible for Marketplace subsidies to help them buy private insurance would also be eligible for Medicaid if Georgia expanded the program. The increase in insured patients would alleviate the burden of uncompensated care on hospitals’ finances. Rural hospitals would be able to collect significantly more revenue from insurers, thus strengthening their financial positions. A recent report from the Department of Health and Human Services projects that hospitals will save $5.7 billion in 2014 in uncompensated care costs because of the Affordable Care Act and Medicaid expansion.\textsuperscript{19} Hospitals in states that have expanded Medicaid are projected to see greater savings than hospitals in states that have not expanded Medicaid. Hospitals in states that have expanded Medicaid are projected to save up to $4.2 billion, which makes up about 74 percent of the total savings nationally. Hospitals in states that have opted not to expand Medicaid are projected to save a comparatively small $1.5 billion this year, only 26 percent of the total savings nationally.
savings nationally. Hospitals in states that have opted not to expand Medicaid are projected to save a comparatively small $1.5 billion this year, only 26 percent of the total savings nationally. Georgia’s portion of the savings from uncompensated care could be greatly increased if Georgia expanded its Medicaid program, thus leaving Georgia’s hospitals in a more financially sound position.

Medicaid expansion fills in the revenue holes left by reduced DSH payments

Disproportionate Share Hospital payments have historically provided compensation to hospitals that serve a disproportionately high percentage of low-income and uninsured patients. This compensation has been critical for the survival of safety net and critical access hospitals. (Many of Georgia’s rural hospitals are safety net and critical access hospitals.) However, the ACA makes dramatic cuts to federal DSH payments under the assumption that significantly increasing the number of Americans with health insurance coverage will reduce the amount of uncompensated care hospitals deliver. In states that fail to expand Medicaid, however, uncompensated care will not likely be significantly reduced, even though federal DSH funding will still be cut.

Congress recognized that making Medicaid expansion optional would drastically lower the projected number of newly insured individuals and that preventive action would be required to lessen the potentially devastating impact of the DSH cuts on hospitals that serve large indigent patient populations. As a result, Congress passed the DSH Reduction Relief Act and Bipartisan Budget Act of 2013, which delays all Medicaid DSH cuts until October 1, 2015, or the beginning of FY2016. While this legislation delays the impact of the Medicaid DSH reductions until FY2016, the aggregate, multi-year funding reduction remained the same.

In 2012, 143 out of 184 Georgia hospitals qualified for Medicaid DSH payments. In FY2014, Georgia received $287 million in federal DSH funds, 19.2 percent of which (over $55.1 million) went to rural hospitals throughout the State. By the time federal cuts
are phased-in in 2018, Georgia’s hospitals will realize $143 million in fewer federal DSH funds.

At the same time the federal DSH cuts are being phased in, Georgia’s hospitals are missing out on billions in new federal funding that could come if Georgia expands Medicaid eligibility. In the absence of the federal funds that come with expansion, the loss of federal DSH funds places safety net and critical access hospitals in rural Georgia at the greatest risk of cutting essential services, or even closure due to financial constraints. In Georgia, there are 34 federally-designated critical access hospitals (67 hospitals are actually eligible to have this designation). In the last two years, there have been five hospital closings, four of which held this designation. Two of the closed hospitals were also designated safety net hospitals because they provided more than 10 percent uncompensated indigent and charity care.

Hospitals facing closure serve some of the most at-risk communities in the state. In Wheeler County, where the Lower Oconee Community Hospital closed, around 25 percent of the residents are uninsured, and over 40 percent of children live in poverty. With the hospital closing, Wheeler County residents will now have to travel 30 miles to the nearest emergency care provider. Without an increase in insurance coverage for low-income Georgians to balance the decreased DSH payments, future service cuts and hospital closings in rural parts of the state are inevitable, and rural residents in need of specialty care will have to travel long distances to reach the nearest hospital.

Hospitals also receive DSH payments through the Medicare program, and on the national level, cuts to these payments could be even more devastating to hospitals than the Medicaid DSH payment decreases. Medicare DSH payments are available only to acute care
hospitals that participate in the Medicare inpatient prospective payment system. Beginning in FY2014, the ACA reduces base Medicare DSH payments by 25 percent. The ACA will decrease these payments nationally by $34 billion through 2022. While changes to the distribution of the Medicare DSH payments will affect hospitals differently, the risk of overall reduced Medicare DSH payments could negatively affect overall hospital financial health in Georgia.

The long-term effects of reducing DSH payments, while simultaneously denying federal funding that would extend health coverage to hundreds of thousands of uninsured Georgians, will result in an untenable burden for hospitals who serve the most vulnerable populations of Georgia. With rural hospitals already under dire financial duress, the decrease in support for serving indigent patients will place the crucial services they provide in further jeopardy without remedy.

**Approaches to Medicaid expansion**

Medicaid expansion is critical to maintaining Georgia’s system of rural hospitals. State leaders on both sides of the aisle have recognized the dire need for Medicaid expansion in preserving and enhancing services in rural areas of the country. States with diverse demographics, health care utilization patterns, and political environments have taken the step of expanding Medicaid to strengthen their state’s health standing, and they have taken a variety of approaches.

By January 2015, 28 states will have expanded Medicaid eligibility to take advantage of billions of new federal funds for their health care systems while extending coverage to millions of low-income Americans. The benefits of extending coverage to more residents have also caused many states that initially opposed Medicaid expansion to reconsider their decisions. Several of these states have sought federal “waivers” that allow greater flexibility in crafting their expansion, while still ensuring the consumer protections that make Medicaid such a successful program.

Now that these approaches, both traditional Medicaid expansion and waivers, are being implemented, there is much that Georgia policymakers can observe, learn, and
adapt to fit our state. Some examples from around the country include Arizona and Arkansas, but other Southern state experiences like Kentucky (which has moved forward) and Tennessee (which is actively discussing options) can be instructive for Georgia.

In Arizona, Republican Governor Jan Brewer unveiled the State’s plan to expand Medicaid in order to “stimulate the Arizona economy, protect rural and safety-net hospitals, and provide quality, cost-effective health care to Arizona’s working poor.”30 Governor Brewer urged leaders to “take a step back and reflect upon the real, human impact of refusing to pass this critical legislation.” 31 Since the decision to expand Medicaid, the Arizona Hospital and Healthcare Association has already reported a significant drop in uncompensated care for more than 75 percent of hospitals in the state.32

Most famously, Arkansas received approval from CMS to expand its Medicaid program in the form of a “premium assistance” waiver program that allows enrollees to buy a private insurance plan from the state’s healthcare.gov marketplace using Medicaid funding. In Tennessee, Republican Governor Bill Haslam recently announced that he would be submitting a waiver proposal to CMS this fall, a move that has strong support from the Tennessee Hospital Association.33

In Georgia, expanding health coverage through Medicaid could alleviate a number of bleak economic realities facing rural hospitals and consumers. Furthermore, the experiences of other states show that increased access to health coverage through Medicaid expansion benefits citizens, hospitals, providers, and communities. Georgia could reap the same benefits, while strengthening its rural hospitals.

Additional Benefits of Medicaid expansion

Raise hospital revenue

Expanding Medicaid eligibility would increase access to health coverage and thus reduce the number of hospital patients without health insurance. Reducing charity care and self-pay patients seeking care at hospitals would further result in a net revenue
increase for hospitals in expansion states. Based on the current distribution of Medicaid spending by provider type as well as state spending estimates under expansion, Georgia’s hospitals could receive $1 billion more in Medicaid reimbursements every year on behalf of newly-eligible Medicaid enrollees. This new funding will more than offset any reimbursement rate reductions that occur if some newly-enrolled Medicaid patients previously had private insurance. One study published by the Urban Institute estimates that hospitals in the South Atlantic region would gain $2.06 in new Medicaid revenue for each dollar potentially lost from private insurers.

According to a new study by the Department of Health and Human Services, hospitals will save $5.7 billion this year in uncompensated care costs because of the Affordable Care Act. Projections from the report suggest that hospitals in states that have expanded Medicaid will see far greater savings than hospitals in states that have not expanded Medicaid. Hospitals in expansion states are projected to save up to $4.2 billion, which makes up about 74 percent of the total savings nationally this year. Hospitals in states that have opted not to expand Medicaid are projected to save up to $1.5 billion this year, which is only 26 percent of the total savings nationally.

New investment to boost Georgia’s economy
A recent study by Georgia State University established that electing to expand Medicaid would result in a considerable economic stimulus to the State, particularly in rural areas that need it most. If Georgia contributes the estimated $2.1 billion to implement Medicaid expansion, the State stands to gain a Federal infusion of $31 billion over the next ten years. This new federal money would help create more than 56,000 jobs statewide and generate more than $6.5 billion in new economic activity every year. More than 60 percent of the new jobs and economic activity would occur outside the 10-county metro-Atlanta region while more than 20 percent could occur in Georgia’s rural communities.

Offset existing state expenditures by providing new federal funding
Expanding Medicaid would also increase the number of incarcerated individuals covered, whose current medical costs are predominantly covered by the state. According to the Department of Corrections, Georgia has already spent $11 million in
the first six months of the current fiscal year on in-patient care for prison inmates across the State. Expanding Medicaid is estimated to help Georgia recoup costs of about $20 million per year on reimbursable inmate hospital expense under the Act. Expansion states are expected to save a tremendous amount on inmate healthcare costs. Ohio expects to save $273 million in inmate healthcare costs over the next eight years. Governor Rick Snyder of Michigan has predicted around $250 million in savings during the first ten years of expansion for inmate healthcare. Currently, Georgia spends roughly $18 to $20 million per year on inmate healthcare costs. Thus far, around 25 states have used Medicaid expansion to supplement prison healthcare costs according to published reports. Expanding Medicaid would also support our criminal justice reforms that divert many offenders to accountability courts. Rather than exclusively relying on state funds, Medicaid could cover the mental health and addiction treatment these offenders need. Georgia currently spends hundreds of millions of state dollars every year to deliver behavioral health and substance abuse services to Georgians without health insurance coverage. Expanding Medicaid would enable Georgia to use federal money instead of exclusively state funds to pay for some of these services.

Next Steps and Additional Recommendations

Closing the coverage gap is the critical first step to stabilizing Georgia’s rural hospitals and increasing access to care for rural Georgians. But it is still a first step. Georgia should explore additional policies to increase provider capacity and Medicaid participation in rural parts of the state. Neighboring Alabama is maintaining the temporary increase in Medicaid reimbursement for primary care services that was federally financed through 2014 with state dollars, an approach Georgia should consider. Georgia may also want to continue to look at possible delivery system reforms that could strengthen quality of care for individuals and families who have Medicaid coverage. As organizations with commitments to improve the health of our state, the signatories to this report are available to help provide input and stakeholder feedback on policy approaches that state policymakers consider. Please feel free to reach out to us as you weigh options.
Closing Rural Hospitals: Majority in states not expanding Medicaid

Source: Georgetown University Center for Children and Families

Source: University of North Carolina, Rural Health Research Program

Expanded Medicaid
Actively debating Medicaid expansion
Not moving forward with Medicaid expansion at this time
At Least Half of Working Age Adults in Most Georgia Counties Could Gain Health Coverage Through Medicaid Expansion

Percentage of Working Age Adults Newly Eligible Under Medicaid Expansion

- More than 50%
- 40% to 50%
- Less than 40%

Source: Georgia Budget & Policy Institute, U.S. Census
Notes


3 Georgia Hospital Association (2014). Annual Georgia Hospital Economic Impact Report.


12 Ibid


14 Ibid


17 Gallup, 2014.


23 Ratio of rural hospital DSH payments calculated to total payments. The number of rural hospitals was determined based on Georgia’s State Office of Rural Health metric: https://dch.georgia.gov/sites/dch.georgia.gov/files/related_files/document/Rural%20and%20Critical%20Access%20Hospitals%20with%20closed%20hospitals%20since%202001.pdf.


25 Lower Oconee Community Hospital, Calhoun Memorial Hospital, Charlton Memorial Hospital, and Stewart Webster.


29 Ibid.


31 Ibid.


36 Custer, William S. (February 2013). The Economic Impact of Medicaid Expansion in Georgia. Institute of Health Administration, J. Mack Robinson College of Business, Georgia State University, Healthcare Georgia Foundation, Publication #74.


39 Custer, 2013.


41 Ibid.


