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Implementing A New USDA Rural Development Program Targeting Small Rural Hospitals and Their Communities

Recommendations of the RUPRI Health Panel: Andrew F. Coburn, A. Clinton MacKinney, Timothy D. McBride, Keith J. Mueller, Rebecca T. Slifkin, and Mary K. Wakefield

The RUPRI Health Panel was asked to offer recommendations for implementing a new USDA Rural Development program, included in the Senate Farm Bill proposal, should it be enacted into law. The goal of this program is to strengthen rural health care delivery systems, to provide necessary health care services to rural residents in a cost-effective manner. We believe this goal is best accomplished through a comprehensive, coordinated approach that fosters community-based efforts to promote health and wellness, in addition to innovative programming designed to improve quality of services. These recommendations can also be used to inform other programs already managed by the USDA, such as the Community Facilities Program.

Eligibility

- Small rural hospitals that are capable of repaying loans

Criteria to Assess Proposals

Context

The Panel recognizes that the USDA must assess the financial feasibility of the proposed projects for which loans would be made. We recommend that the criteria and process for this assessment allow for flexibility to offer loans to some rural hospitals that might be excluded from commercial markets, because of considerations related to their business environment and management, even though their current financial condition may be solid. This is especially true for hospitals that have a compelling need for investment to secure their future, because they are the sole provider of acute care health services for a large geographic area or for populations that traditionally lack access to the health system (e.g., the uninsured, ethnic and racial minorities).

Some portion of available funds should be explicitly dedicated to supporting those hospitals excluded from commercial markets that can provide evidence of ability to repay loans, based on reasonable assumptions of how the capital investment will improve financial performance (e.g., increase market share or improve efficiency). To help the USDA with these determinations, we recommend consulting with rural health services research centers funded by the Office of Rural Health Policy that have analyzed the financial condition of Critical Access Hospitals.

Program Goal and Related Criteria

The Panel believes that beyond assisting individual hospitals with their capital needs, this loan program also can help strengthen rural health care delivery systems and thereby assure the sustainability of necessary and cost-effective health care services to rural residents. To this end, we suggest priority for loan assistance be given to hospitals that propose capital projects which:

1. Meet a documented need for health service improvement or new services in the hospital's service area,
2. Promote the involvement of other health care providers that serve the same population, in an integrated approach to service delivery,
3. Coordinate with other USDA-funded activity in the region evident in the state strategic plan as submitted by USDA Rural Development state directors, such as loans and loan guarantees for community facilities and possible linkages with the Extension Service, where the latter has health-related activity relevant to the applicant's population,
4. Coordinate with other federal- and state-supported projects to improve rural health care delivery infrastructure,
5. Have a strategy to sustain any service(s) initiated with these funds.

Elements of a Proposal

In order to judge applications based on the above criteria, the Panel suggests that the funding announcement request the following information, both current data and projections for the next five years:

1. A demonstration of a need for health service improvement or new services through capital investment that is responsive to quantifiable community need by:
 - Demonstrating the need for services or service improvement based on available demographic data and a community assessment,
 - Identifying any population groups (such as the elderly, recent migrant groups, low income, disabled, etc.) whose special needs would be met by the capital investment,
 - Incorporating population health data,
 - Identifying other community assets that can be used to help meet needs, including those of the hospital,
 - Demonstrating how local sectors can work together to meet the needs of particular populations, e.g., meeting the needs of the elderly with a coordinated approach that links housing with health care.
2. A description of the involvement and commitment of other health care service providers where appropriate, as evidenced by:
 - Identifying the hospital market area for the capital improvement-supported services, including an assessment of whether the applicant is the primary source of the services (e.g., more than 70% of the market share) or whether there is market area overlap with other small rural hospitals,

- Demonstrating collaboration with other small rural hospitals (through specific signed agreements) where there is overlap in hospital market areas,
 - Including memoranda of understanding with any providers involved in providing local services to the population(s) being targeted with this intervention, including private physicians, long-term care facilities, home health agencies, emergency medical service providers, assisted living, special health services (e.g., for those needing assistance with activities of daily living),
 - Identifying linkages to services provided to target populations by providers located outside the rural community,
 - Including services other than acute care in plans to meet community need, such as assisted living, independent living, and community-based social services,
 - Explaining how the investment would improve the coordination of health care services in the community, including improvement in coordination of care across the continuum of care (for example, with providers who are outside the immediate service area but provide important services that are locally unavailable).
3. A description of how the project would coordinate with other USDA-supported entities, as evidenced by:
- Presenting an inventory of relevant USDA projects in the region obtained from the USDA Rural Development state director and other state and local offices participating in USDA programs,
 - Including an analysis of potential interaction with those projects.
4. A description of how the project would coordinate with other federal- and state-supported projects focused on rural health care delivery, including:
- Coordinating with programs monitored by the state office of rural health,
 - Coordinating with any programs sponsored by the Federal Office of Rural Health Policy,
 - Coordinating with any projects supported by other federal agencies, such as telehealth projects.
5. A demonstration of the sustainability of changes induced by the capital project. Elements to be included in this section depend on the type of project proposed, but might include the following:
- Ability to meet operating expenses of new or improved facilities and/or services,
 - Evidence of a replacement plan, where appropriate,
 - Ability to secure necessary technical support, whether through direct hiring of staff or through contracts,
 - For HIT proposals, evidence of a business plan that (1) projects the impact on revenue or changes in efficiency, both in the implementation phase and over the long term; (2) describes practice improvements to encourage continued use; and (3) identifies methods for continuous technical support of the system,
 - Incorporation of expected changes in population and demographics (including growth or decline in numbers of residents) in a plan for sustainability,
 - Evidence of a proposed action plan.

Evaluation

The Panel recommends that USDA require each application to include an evaluation plan. This evaluation should assess how well the funded project has strengthened the rural health care delivery system and improved the quality and efficiency of health care services provided to rural residents. Furthermore, when evaluating return on investment, USDA should evaluate not only financial parameters (loan repayment), but also quality, access, and service parameters. Potential parameters for evaluation include:

- Service line expansion and/or new service line development,
- Health care delivery efficiency,
- Health care quality and patient safety,
- Access to health care services,
- Collaboration activity,
- Impact across the care continuum,
- Completion of goals identified in the original application.

RUPRI Health Panel

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