

Holy Cross changes Medicare model

New 'critical access hospital' designation means more money, no loss of services

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Holy Cross Hospital is now a critical access facility, a federal designation that means Medicare patients will see higher bills, but no decline in quality medical care, according to hospital administrators.

The designation will help bring more federal funding to the hospital and stabilize its finances, according to Holy Cross CEO Bill Patten. He and others at the hospital believe the additional federal revenue, combined with a mill levy voters already approved, will help the hospital expand patient services in the years ahead.

Some Holy Cross staff members, who were worried several months ago that the federal requirements for critical access hospitals would hurt the level of care provided to Medicare patients, are more positive about the changes now.

“At first, a lot of leadership was skeptical,” said Martha Jaramillo, a longtime nurse and hospital union spokesperson. “We were uncertain and concerned about whether Taos County residents would be able to get the care they needed. Once we had teams go out to other critical access hospitals and our physicians, who we trust, came back with great reports, then we felt a lot more comfortable.”

Patten said three teams of doctors, nurses and administrative staff were sent to different critical access hospitals to see how the designation was impacting patients, staff and finances. Those trips were important in convincing them that seeking the federal designation was the right step to take, Patten said.

Dr. Tse-Seun Yong, part of the Hospitalist Inpatient Medical Team that sees the majority of patients admitted to Holy Cross, agreed doctors were initially skeptical of converting Holy Cross to a critical access hospital. “We thought that it would limit our ability to care for the Taos community with the 96-hour rule,” Yong said. “We were worried about having to transfer patients at 96 hours of hospital stay, which is not quite true.”

According to Yong, after the visits to other critical access hospitals, the Taos-based staff members “collectively agreed that it would be worth pursuing.”

Going critical access

The critical access model of Medicare payments has been around since 1997.

Currently, 1,330 hospitals in the nation out of 5,000 are designated critical access. Holy Cross is the 10th hospital in New Mexico to become critical access.

Critical access hospitals must meet certain requirements to receive higher Medicare payments from the federal government.

Two of the requirements that most concerned staff and patient advocates included the 96-hour rule and the higher Medicare costs to patients.

Four-day stay limit

As a critical access hospital, a doctor must certify when a patient is admitted that they will be discharged from the hospital after 96 hours or less. Patten said if periodically a patient needs an extra day at the hospital, that is allowed under critical access as long as a doctor documents the need in writing.

Holy Cross ran the numbers on average hospital stays before deciding to become a critical access facility. “When we looked at our numbers, we were running around 3.2 days [average per patient],” Patten said. “We were well under the four-day limit, even keeping patients – detox patients were some of those people we’re worried about – even keeping them seven to 10 days, our average was well below the requirement.”

Patients who need high-level or specialized medical care that will require a hospital stay well beyond 96 hours are transferred to acute care hospitals in Albuquerque or Santa Fe.

Higher costs to Medicare patients

Critical access changes the way hospitals can bill patients for services.

Medicare patients will start to see higher bills for their medical care at Holy Cross at the end of September because of the change.

Under the old model, Holy Cross billed a patient 20 percent of what Medicare paid the hospital for a service. So a \$1,000 CT scan, for example, would cost the patient about \$60.

“In the critical access model, we are required to bill the patient 20 percent of our [total] bill,” Patten said. So the same \$1,000 CT scan will now cost a patient about \$200.

Most of the Medicare patients seen at Holy Cross carry secondary insurance, such as AARP, that will cover the additional cost for services.

But some 300 patients a year – about 12 percent of Medicare patients treated at Holy Cross each year – lack secondary insurance. They’ll be stuck with those extra medical costs out of pocket. “That’s a lot of people that we

did not want to have a negative impact,” Patten said. “So what we said is, ‘We will step up and help cover it if a patient can document that they can’t afford it.’ We estimate the cost of that at about \$200,000 a year.”

Steve Rozenboom, the hospital’s chief financial officer, was more cautious regarding how Holy Cross would help Medicare patients who lack secondary insurance cover the additional medical costs. “Will the hospital really be able to help them? That’s the commitment we made,” Rozenboom said. “We’ll do what we can, but we have to play within the rules of what Medicare establishes.”

Securing hospital finances

Patten and Rozenboom said the financial benefit to Holy Cross of becoming a critical access hospital far outweighs the money that might be needed to cover medical costs for some Medicare patients.

Patten and Rozenboom said Holy Cross stands to make an additional \$700,000 to \$1.5 million a year from the higher Medicare reimbursements the hospital will receive under critical access.

But they said it will take several years before Holy Cross sees the full financial benefit.

The critical access designation also will help Holy Cross match some of the mill levy money approved by voters. The new designation means Holy Cross could add \$1.6 million to the \$5 million from the levy over the next four years for equipment and facilities improvements. “We see that as a huge benefit,” Patten said.

Some hospital staff and doctors say they hope some of the additional revenue generated under critical access will be used to increase wages, making it easier to find and retain qualified health professionals.

“The potential benefits of CAH designation is better reimbursement for hospital stays and assistance in capital improvements/ purchases,” wrote Yong in an email. “This potentially can help reverse the financial difficulties of Holy Cross of the last years and be able to then offer updated medical equipment, better salaries for recruitment of new physicians to the community, and expansion of more services to the Taos community.”

Keeping the community happy

Patten said it took a lot of educating to convince the community and staff that critical access was a good move for the hospital. Medicare will continue to watch the hospital to see if it is keeping the community happy.

“A lot of how we will be judged under critical access is how well we meet the needs of the community,” Patten said. “One of the things we heard from the community as we went through this is that this was just a backdoor way to cut services. We are very sensitive to that. We’re actually looking at areas where we can expand services.”

Two programs the hospital is working on now are an expanded electronic medical records system that will allow patients to access their records more easily and expanded outpatient pediatric services.



**Liz Fruits, registered nurse, works at a nursing bay at Holy Cross Hospital Aug. 31. Holy Cross recently became a critical access hospital, changing the way Medicare patients are charged.
Katharine Egli**



**Meggan Bowen, registered nurse, works at a portable computer at Holy Cross Hospital Aug. 31. Holy Cross recently became a critical access hospital, a federal designation that changes the way it is paid by Medicare.
Katharine Egli**



**Holy Cross Hospital employees eat lunch Aug. 31. Some staff members hope additional revenues the hospital will earn as a critical access facility will be used to increase wages.
Katharine Egli**