

Good morning Chair Kahle and members of the committee. My name is Lauren LaPine and I am the Director of Small and Rural Hospitals and Policy Programs at the Michigan Health and Hospital Association. I am joined today by my colleague Elizabeth Kutter. I am speaking with you today on behalf of the MHA in support of House Bill 6380 sponsored by Representative Andrew Fink. I also want to thank Representative Fink for his willingness to sponsor this bill, and his support of rural hospitals and communities.

At the end of 2020, the US Congress took action to recognize the need to preserve access to emergency services and higher-level outpatient services despite decreasing patient volumes and resources to support inpatient services.

The Consolidated Appropriations Act of 2021 (CAA) created the Rural Emergency Hospital (REH) model as a new Medicare provider type. Effective as of January 1, 2023, the REH model allows current Critical Access Hospitals (CAHs) and rural Prospective Payment System (PPS) hospitals with fewer than 50 beds to convert to REH status. Rural Emergency Hospitals may furnish certain outpatient hospital services in rural areas, including emergency department and observation services. An REH is designed to provide financially struggling rural hospitals at risk of closure with the necessary resources to serve their communities and allow them to maintain critical emergency services in their communities. Hospitals that choose to convert to an REH will receive enhanced federal reimbursement to provide services as critical points of access for healthcare services, especially in geographically remote areas.

Hospitals converting to REH status may operate a distinct part skilled nursing facility (SNF) or off-campus provider-based departments. A hospital that becomes an REH may convert back to a CAH or PPS hospital. Hospitals converting to REH status will

commit to maintaining an average length of stay of 24 hours or less and must have a transfer agreement in place with a Level I or II trauma center.

The bill in front of you today makes the necessary changes to state law to allow hospitals that meet the REH eligibility criteria to convert to this new hospital type as early as January 1, 2023. This legislation was created after more than 6 months of collaborative work with the MHA, The Michigan Department of Health and Human Services, Michigan Licensing and Regulatory Affairs, and the Michigan Center for Rural Health. The bill allows for a new hospital designation within the definition reflected in the MI Public Health Code.

Given the last few years and what we have collectively learned about emergency response and preparedness, we worked with MDHHS and LARA to allow an REH to bank their beds for up to 5 years, to ensure an REH can convert back to their previous hospital designation in the event of a public health emergency or to meet emerging community needs. Additionally, the bill also requires an REH that is a standalone Medical Control Authority (MCA) to notify MDHHS when they decide to convert, and also requires they join a regional MCA to ensure continuing of EMS services and transfers.

House Bill 6380 provides rural hospitals in our state with the ability to continue providing care in our most rural communities. While the REH model is not a perfect solution, it is another tool in the toolbox for small and rural hospitals to continue offering vital healthcare services. Multiple other states across the US have also passed legislation that allows for the new REH designation at the start of 2023. I would be happy to provide the Committee with additional specifics on how other states have created such

legislation if that would be helpful to the committee. I appreciate your attention to this important issue and look forward to your support for House Bill 6380. Thank you for your time today, and I'm happy to take any questions you may have.

The Economic Impact of Healthcare in Rural Michigan

#1

Largest private sector employer in Michigan

As the largest employer in many rural Michigan communities, hospitals and health systems play a crucial role in the economic vibrancy of the state. Healthcare careers provide stable, good paying jobs in an environment that helps and positively impacts lives every day.



81,000

Total direct jobs in rural Michigan from healthcare.

\$7.6 billion

Total in wages, salaries and benefits earned by direct healthcare workers in rural Michigan.

121,000

Total workers in and associated with the healthcare sector in rural Michigan.

\$1.4 billion

Contribution in local, state and federal taxes from all rural healthcare-affiliated workers.

Issues Impacting Rural Healthcare



Healthcare Workforce Shortages

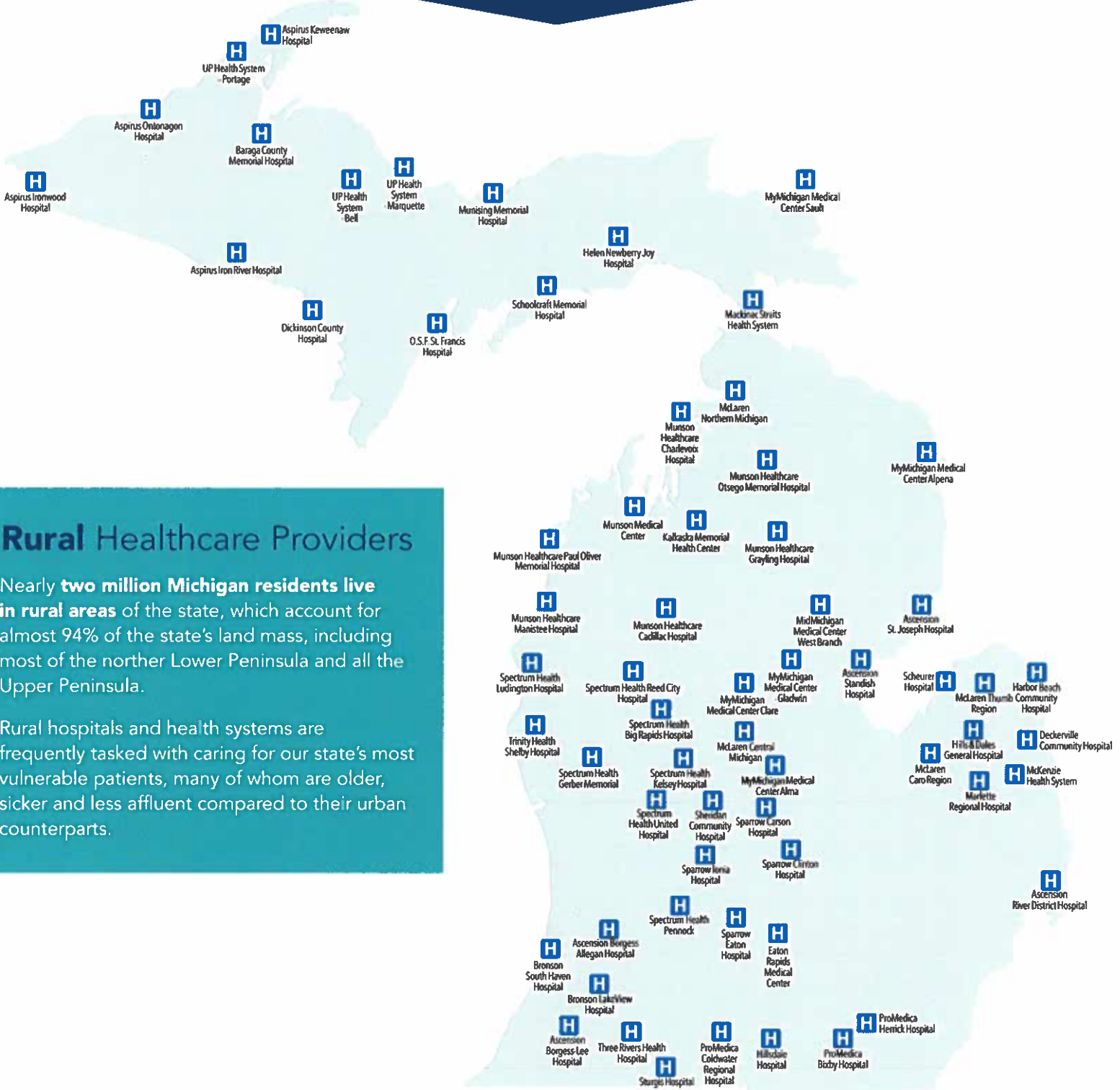


Infringements on Protections for 340B Covered Entities



Lack of Behavioral Health Access

Michigan's Rural Hospitals



Rural Healthcare Providers

Nearly **two million Michigan residents live in rural areas** of the state, which account for almost 94% of the state's land mass, including most of the northern Lower Peninsula and all the Upper Peninsula.

Rural hospitals and health systems are frequently tasked with caring for our state's most vulnerable patients, many of whom are older, sicker and less affluent compared to their urban counterparts.



For more information about Michigan hospitals, visit www.mha.org.





Rural Emergency Hospital Designation

This proposed legislation will allow Michigan to grant rural healthcare facilities the ability to creatively approach their individual needs while maintaining support for their community's needs.



DETERMINE ELIGIBILITY

Rural hospitals with less than 50 beds and critical access hospitals that were enrolled in Medicare as of Dec. 27, 2020 may apply to become a rural emergency hospital (REH).

BEGIN APPLICATION

A hospital must present a detailed transition plan, specifying the services it will offer, in addition to having a transfer agreement in place with a Level I or Level II trauma center to become a REH.

STAFFING

A REH needs to maintain a staffed emergency department by a physician, nurse practitioner, clinical nurse specialist or physician assistant.

REIMBURSEMENT

Reimbursement rates are in the process of finalization and will begin on or after Jan. 1, 2023. Rates will be made at the Hospital Outpatient Prospective Payment System rate, plus a 5% add-on to that rate.

Benefits of a REH Designation

PREVENT HOSPITAL CLOSURES

FLEXIBLE STAFFING MODEL

MAINTAIN FINANCIAL VIABILITY

For more information about rural Michigan hospitals, visit www.mha.org/issues-advocacy/rural-health.

