



Kentucky RHC Legislative Impact

July 22, 2022

Kentucky RHC Reimbursement



- Reimbursement Overview
- Reimbursement Impact to RHCs and Hospitals

Acknowledgement:

A special thanks to Lilypad for providing all the data necessary to conduct the analysis for the RHC Legislative Impact



Overview

RHC Reimbursement Methodology

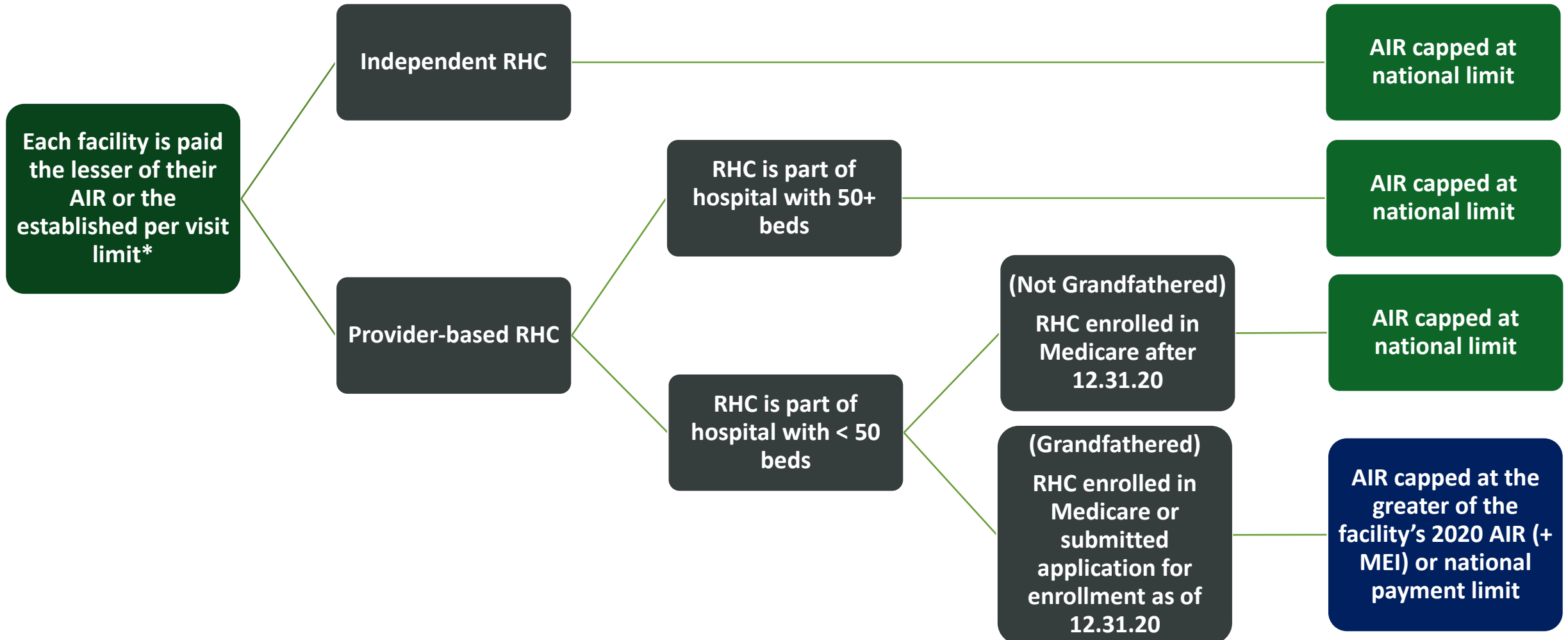


- On April 1, 2021, the RHC reimbursement methodology went through a material change due to the “*Consolidated Appropriations Act, 2021 (CAA)*” which changed the reimbursement methodology for Rural Health Clinics (RHC) starting on April 1, 2021
 - Starting on April 1, 2021, all new RHCs established after December 31, 2020, regardless of whether they are independent, owned and operated by a hospital with fewer than 50 beds, or owned and operated by a hospital with greater than 50 beds, shall be reimbursed based on reasonable cost with an upper payment limit (UPL) set at the following rates:
 - In 2021, after March 31, at \$100 per visit;
 - In 2022, at \$113 per visit;
 - In 2023, at \$126 per visit;
 - In 2024, at \$139 per visit;
 - In 2025, at \$152 per visit;
 - In 2026, at \$165 per visit;
 - In 2027, at \$178 per visit;
 - In 2028, at \$190 per visit;
 - In subsequent years, the rate will increase based on the Medicare Economic Index (MEI) for primary care services
 - RHCs owned and operated by a hospital with fewer than 50 beds and established on or before December 31, 2020, will use their 2020 rate to establish a clinic-specific grandfathered UPL that will then be increased each year based on the MEI

RHC Rate Establishment



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RHC Legislative Impact

Kentucky RHC Distribution



- From 2015 to 2020, Kentucky saw a 52% increase in the number of RHCs
 - The following table presents the number of RHCs, based on payment methodology, and the number of cost reports filed

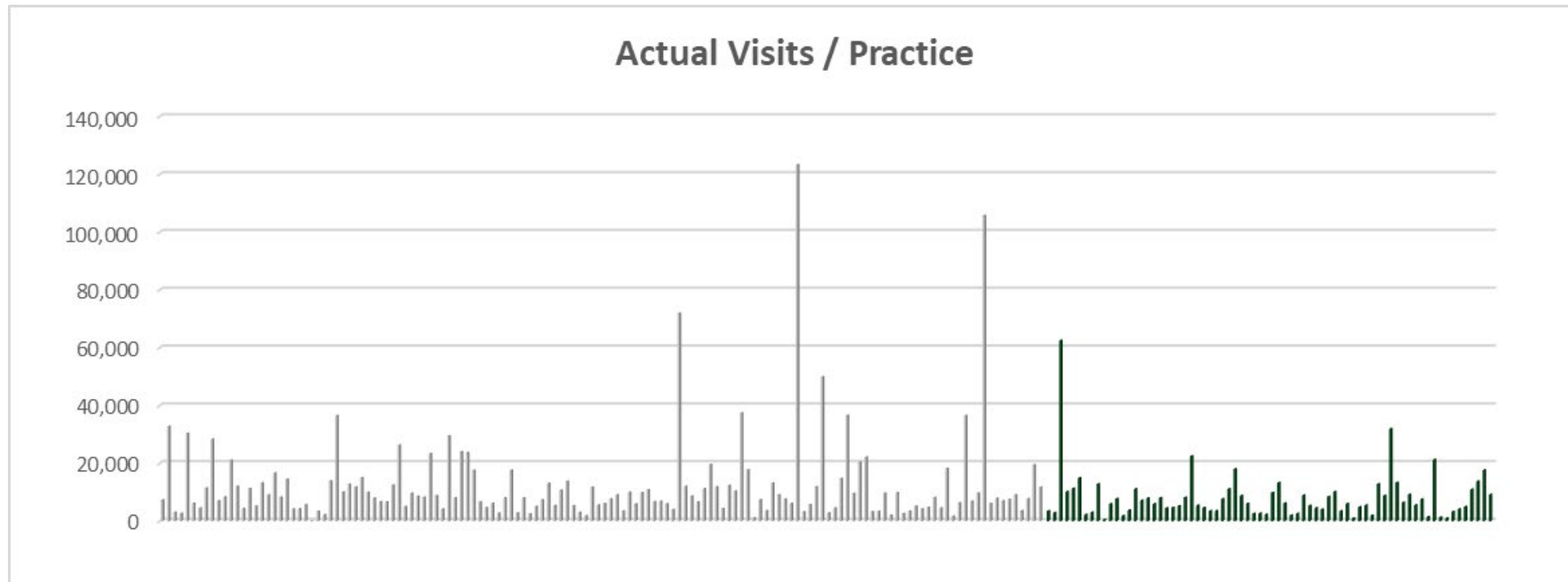
Payment Methodology	Clinic Type	2015		2016		2017		2018		2019		2020		Variance Clinics
		Clinics	Cost Reports	Clinics	Cost Reports	Clinics	Cost Reports	Clinics	Cost Reports	Clinics	Cost Reports	Clinics	Cost Reports	
Cost Based	PB-RHCs	44	48	43	53	47	50	63	64	67	68	72	72	64%
Upper Payment Limit	Hospital-Based 50+ Beds	11	14	15	14	21	19	17	17	18	17	17	16	55%
	Independent	129	91	130	111	137	101	154	107	177	112	190	126	47%
	Totals	184	153	188	178	205	170	234	188	262	197	279	214	52%

- Wintergreen used 2020 cost report data for the analysis
- The consolidation of RHCs for cost report purposes led to fewer cost reports than RHCs in a few of the years
- The years with more cost reports than RHCs was due to the termination of clinics within that given year
- For the purposes of this presentation, a PB-RHC is an RHC that was owned and operated by a hospital with fewer than 50 beds and used to qualify for un-capped cost-based reimbursement
 - The clinics included in the Upper Payment Limit (UPL) cohort were subject to an UPL prior to the CAA and are referred to as Non-PB-RHCs

RHC Visits per Practice



- The Kentucky RHCs saw a material difference in the number of visits at each RHC
 - The following table presents the actual visits per practice (factoring cost report consolidation) for the RHCs



Non-PB-RHCs
PB-RHCs

Kentucky Average Cost per Visit



- Prior to the CAA of 2021, independent RHCs and RHCs owned by hospitals with 50 beds or greater were subject to a capped per visit rate while PB-RHCs were eligible for an un-capped cost-based rate

- The following tables present the average cost per visit and the average adjusted cost per visit for the combined KY RHCs

- **PB-RHCs vs Non-PB-RHCs**

Type	Cost	Visits	Cost / Visit	Adjusted Visits	Adj Cost / Visit	Variance / Visit
PB-RHCs	\$ 123,627,063	586,587	\$ 210.76	637,662	\$ 193.88	\$ (16.88)
Non-PB-RHCs	252,556,799	1,740,465	145.11	1,806,592	139.80	(5.31)
Total:	\$ 376,183,862	2,327,052	\$ 161.66	2,444,254	\$ 153.91	\$ (7.75)

- **Hospital-Based RHCs vs Independent RHCs**

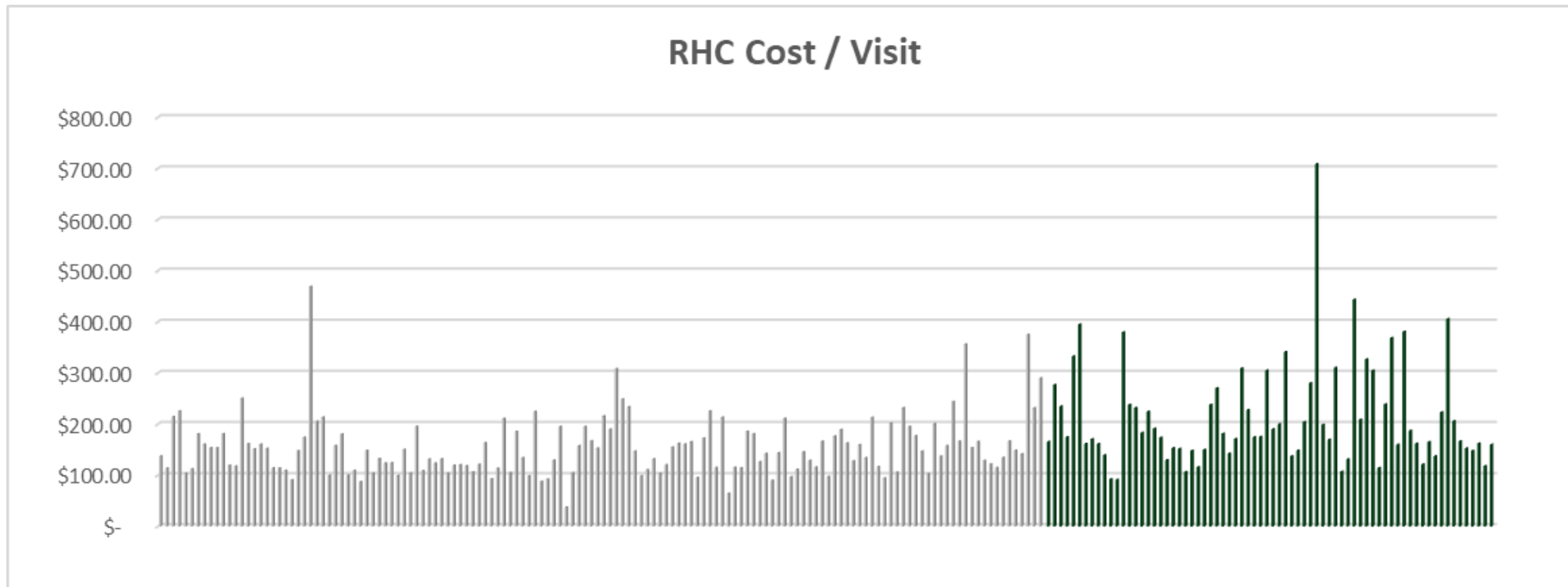
Type	Cost	Visits	Cost / Visit	Adjusted Visits	Adj Cost / Visit	Variance / Visit
Hospital RHCs	\$ 173,538,215	850,700	\$ 203.99	927,217	\$ 187.16	\$ (16.83)
Ind. RHCs	202,645,647	1,476,352	137.26	1,517,037	133.58	(3.68)
Total:	\$ 376,183,862	2,327,052	\$ 161.66	2,444,254	\$ 153.91	\$ (7.75)

- When consolidating all RHCs within Kentucky, the failure to achieve the minimum productivity threshold is why the Adjusted Cost / Visit is less than the actual Cost / Visit

RHC Cost-Based Rates



- Most Kentucky RHCs experienced an average cost per visit that was in less than \$200
 - The following table presents the cost per visit for each of the filed Medicare Cost Reports



■ Non-PB-RHCs
■ PB-RHCs

Average Reimbursement per Visit



- Prior to the CAA of 2021, independent RHCs and RHCs owned by hospitals with 50 beds or greater were subject to a capped per visit rate while PB-RHCs were eligible for an un-capped cost-based rate
 - The following tables present the average Medicare reimbursement per visit compared to the average cost per visit
 - **PB-RHCs vs Non-PB-RHCs**

Type	Medicare Reimb	Medicare Visits	Reimb / Visit	Cost / Visit	Revenue Impact
PB-RHCs	\$ 23,384,004	119,081	\$ 196.37	\$ 213.67	\$ (2,060,342)
Non-PB-RHCs	23,124,190	269,565	85.78	148.90	(17,013,012)
Total:	\$ 46,508,194	388,646	\$ 119.67	\$ 168.74	\$ (19,073,354)

- **Hospital-Based RHCs vs Independent RHCs**

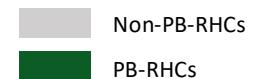
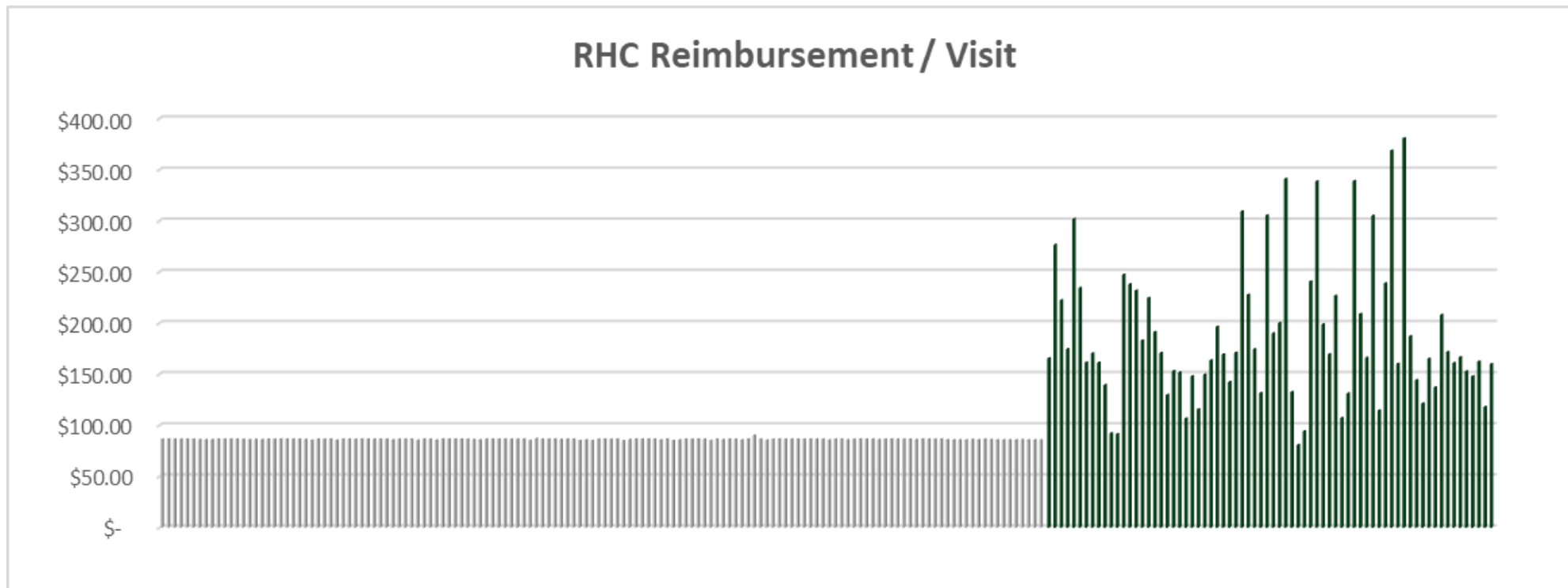
Type	Medicare Reimb	Medicare Visits	Reimb / Visit	Cost / Visit	Revenue Impact
Hospital RHCs	\$ 27,288,463	164,546	\$ 165.84	\$ 211.23	\$ (7,468,220)
Ind. RHCs	19,219,731	224,100	85.76	137.55	(11,605,134)
Total:	\$ 46,508,194	388,646	\$ 119.67	\$ 168.74	\$ (19,073,354)

- For PB-RHCs, revenue impact attributed to the failure to meet the minimum productivity threshold while the Non-PB-RHCs attributed to the UPL in 2020

Reimbursement per Visit by Practice



- Prior to the CAA of 2021, PB-RHCs and Non-PB-RHCs saw material differences in reimbursement rates
 - The following table presents the reimbursement / visit based on the filed Medicare Cost Reports



RHC Annual Cost Increase



- With the implementation of the CAA of 2021, all RHCs are now subject to an UPL, regardless of whether those practices are grandfathered RHCs

- The following tables present the average annual cost increase for PB-RHCs and non-PB-RHCs

- PB-RHCs**

Type	2015	2016	2017	2018	2019	2020
Total Cost NV	\$ 59,697,812	\$ 60,361,160	\$ 65,857,149	\$ 79,460,321	\$ 112,696,169	\$ 123,627,063
Actual Visits	357,258	362,151	375,247	430,769	595,384	586,587
Total:	\$ 167.10	\$ 166.67	\$ 175.50	\$ 184.46	\$ 189.28	\$ 210.76
Annual Increase:		(0.25%)	5.30%	5.10%	2.61%	11.34%
Annualized Increase:					4.75%	

- Non-PB-RHCs**

Type	2015	2016	2017	2018	2019	2020
Total Cost NV	\$ 121,224,742	\$ 180,547,653	\$ 201,440,734	\$ 218,610,589	\$ 232,768,827	\$ 252,556,799
Actual Visits	1,148,563	1,558,206	1,691,426	1,725,789	1,689,301	1,740,465
Total:	\$ 105.54	\$ 115.87	\$ 119.10	\$ 126.67	\$ 137.79	\$ 145.11
Annual Increase:		9.78%	2.78%	6.36%	8.78%	5.31%
Annualized Increase:					6.57%	

Trended UPL



Trended UPL Comparison

- The following table presents the adjusted cost-based rates (applying the annualized cost-based increases seen by each of the RHCs from FY15 – FY20) and compares to the new UPL established through the CAA of 2021 from 2021 through 2028
 - The MEI used was 2.1% from 2021 – 2028 and a variation in the MEI will impact actual net impact
 - For the Non-PB-RHCs, Wintergreen used a capped cost increase of 6%
 - The green-shaded rates reflects the average rate used for each cohort for 2021 through 2028

Location	Rate	2020	2021	2022	2023	2024	2025	2026	2027	2028
PB-RHCs	Adj. Cost-Based Rate	\$ 196.37	\$ 205.70	\$ 215.48	\$ 225.72	\$ 236.44	\$ 247.68	\$ 259.45	\$ 271.78	\$ 284.69
	UPL		200.49	204.70	209.00	213.39	217.87	222.45	227.12	231.89
	Variance		(5.21)	(10.77)	(16.71)	(23.05)	(29.80)	(37.00)	(44.66)	(52.80)
Non-PB-RHCs	Adj. Cost-Based Rate	\$ 140.37	\$ 148.79	\$ 157.72	\$ 167.18	\$ 177.21	\$ 187.85	\$ 199.12	\$ 211.06	\$ 223.73
	Capped RHC Rate	86.31	87.52	89.36	91.23	93.15	95.11	97.10	99.14	101.22
	UPL		100.00	113.00	126.00	139.00	152.00	165.00	178.00	190.00
	Variance		12.48	23.64	34.77	45.85	56.89	67.90	78.86	88.78

Projected RHC Reimbursement Impact



Projected RHC Reimbursement Impact

- The following table presents the net impact on reimbursements received by the KY RHCs under the prior RHC reimbursement methodology with reimbursements received after the implementation of the CAA of 2021
 - Due to the distribution, cost structure, and visits at each RHC, KY would receive \$2.7M more reimbursements from Medicare under the new methodology with that amount is projected to increase to \$15.7M by 2028 due to the distribution of clinics and visits between the PB-RHCs and Non-PB-RHCs
 - Even though some RHCs in KY are projected to receive higher reimbursements, those organizations that operate PB-RHCs will receive less reimbursements from Medicare under the new RHC reimbursement methodology when compared to the old methodology

Type	Medicare Visits	2021			2022			2023			2024		
		Old	New	Variance	Old	New	Variance	Old	New	Variance	Old	New	Variance
PB-RHCs	119,081	\$ 205.70	\$ 200.49	\$ (620,141)	\$ 215.48	\$ 204.70	\$ (1,282,976)	\$ 225.72	\$ 209.00	\$ (1,990,354)	\$ 236.44	\$ 213.39	\$ (2,745,074)
Non-PB-RHCs	269,565	\$ 87.52	\$ 99.76	\$ 3,300,634	\$ 89.36	\$ 112.33	\$ 6,193,021	\$ 91.23	\$ 124.66	\$ 9,009,946	\$ 93.15	\$ 136.65	\$ 11,725,167
Combined		\$ 2,680,493			\$ 4,910,044			\$ 7,019,591			\$ 8,980,093		

Location	Medicare Visits	2025			2026			2027			2028		
		Old	New	Variance	Old	New	Variance	Old	New	Variance	Old	New	Variance
PB-RHCs	119,081	\$ 247.68	\$ 217.87	\$ (3,549,327)	\$ 259.45	\$ 222.45	\$ (4,406,109)	\$ 271.78	\$ 227.12	\$ (5,318,025)	\$ 284.69	\$ 231.89	\$ (6,287,962)
Non-PB-RHCs	269,565	\$ 95.11	\$ 148.43	\$ 14,373,677	\$ 97.10	\$ 159.98	\$ 16,948,769	\$ 99.14	\$ 171.59	\$ 19,530,172	\$ 101.22	\$ 182.70	\$ 21,963,985
Combined		\$ 10,824,350			\$ 12,542,660			\$ 14,212,147			\$ 15,676,023		

- The Old and New rates are averages; however, Wintergreen projected the impact across each practice to determine the cumulative variance between the PB-RHCs and Non-PB-RHCs



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