

A photograph of a man in a white lab coat, likely a healthcare professional, smiling and shaking hands with a man in a light blue shirt. They are seated at a table with a white mug. The background is a bright, modern office or clinical setting. The image is overlaid with blue text boxes.

Planning, Financing, and Optimizing

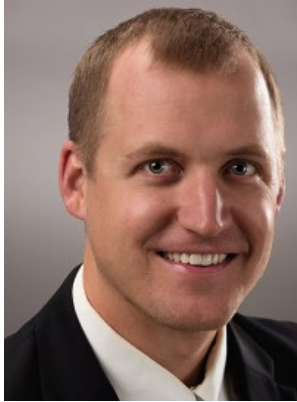
Rural Healthcare Facilities

Presenters: Nicholas Smith, Principal
Jason Sieg, Senior Manager

WIPFLI

Today's Agenda

- National staffing trends
- Staffing levers
- What staffing trends mean for building projects
- Examples of Innovation for hospitals
- Planning a capital project



Jason Sieg

Senior Manager

Facility and Capital Planning Practice

- Nearly 10 years experience in preparing feasibility studies
- Recent focus on USDA financing projects
- Broad range of experience in market demand projections



Nick Smith, MHA

Principal

Facility and Capital Planning Practice

- 15 years healthcare consulting experience nationally, significant rural focus
- Focus on healthcare market analysis, strategy and growth
- Numerous renovation, replacement hospital projects and financings

Staffing shortages persist

- Vary by state and hospital

Figure 1: Percent of hospitals reporting a critical staffing shortage, as of January 19, 2022

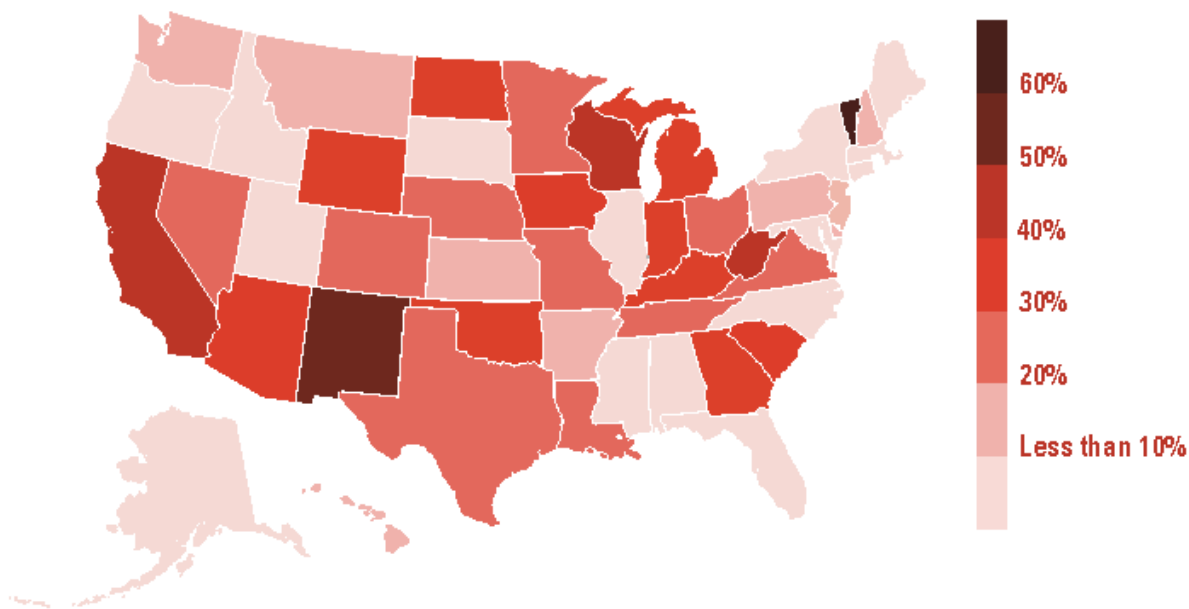
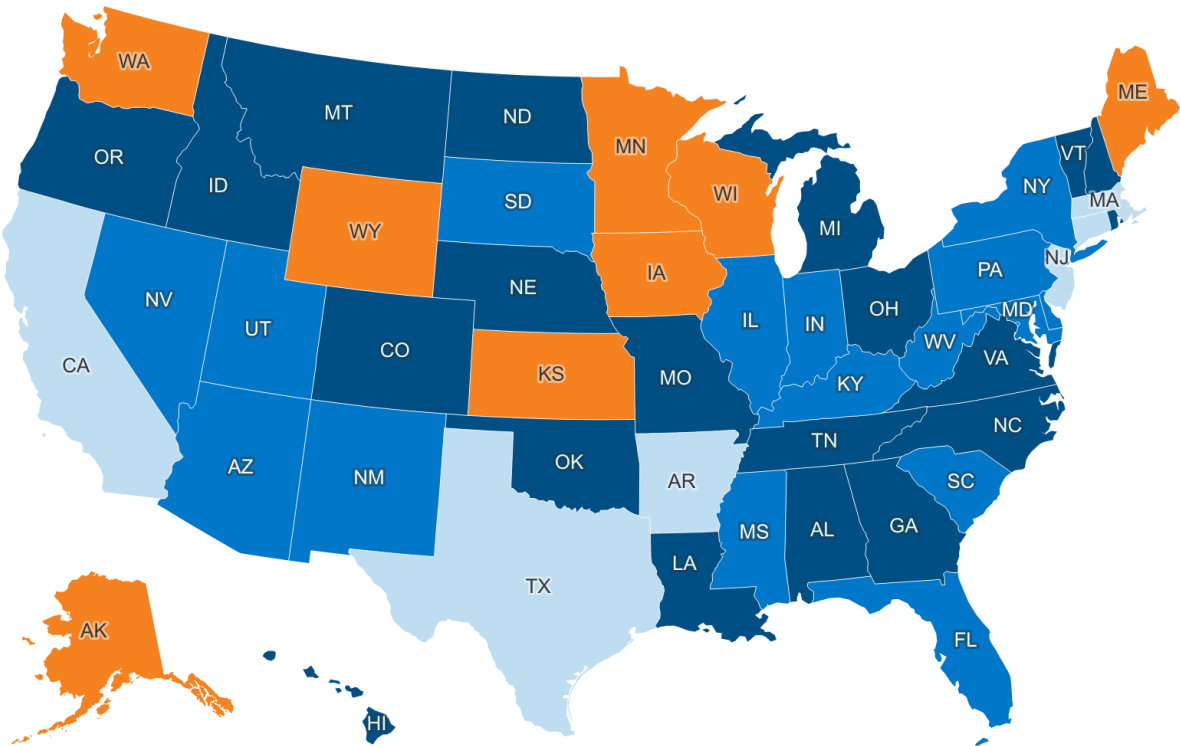


Figure 2

Share of Nursing Facilities Reporting Staffing Shortages, as of March 20th, 2022

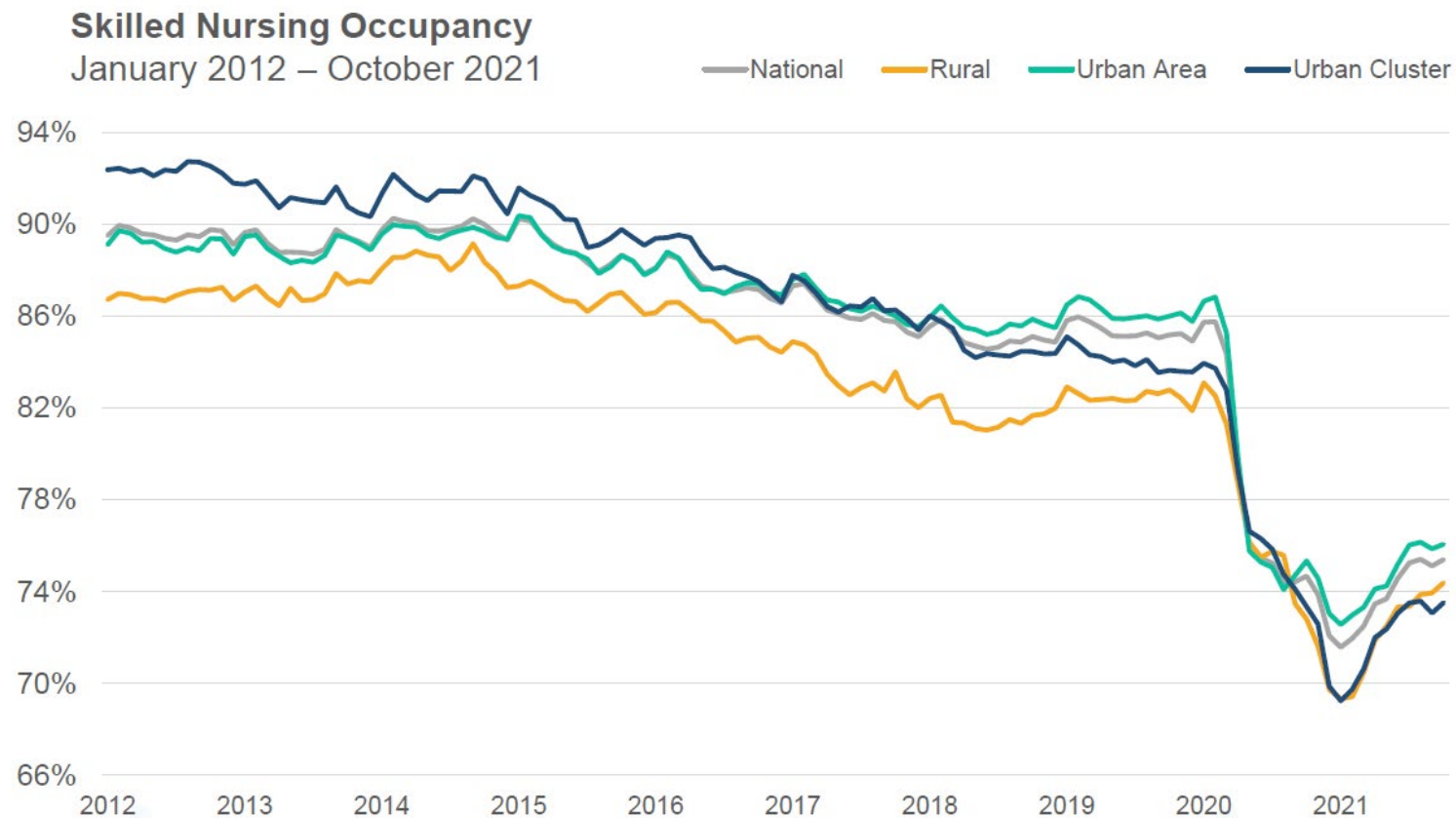
<15% (6 states) 15-30% (16 states + DC) 30-50% (20 states) 50% or More (8 states)



NOTE: In Alaska and Arkansas, greater than 20% of nursing facilities did not report data and/or did not pass quality assurance and validation checks performed by the Centers for Medicare & Medicaid Services (CMS).
SOURCE: KFF analysis of CMS COVID-19 Nursing Home Data, as of the week ending on 3/20/2022.

SNF Occupancy

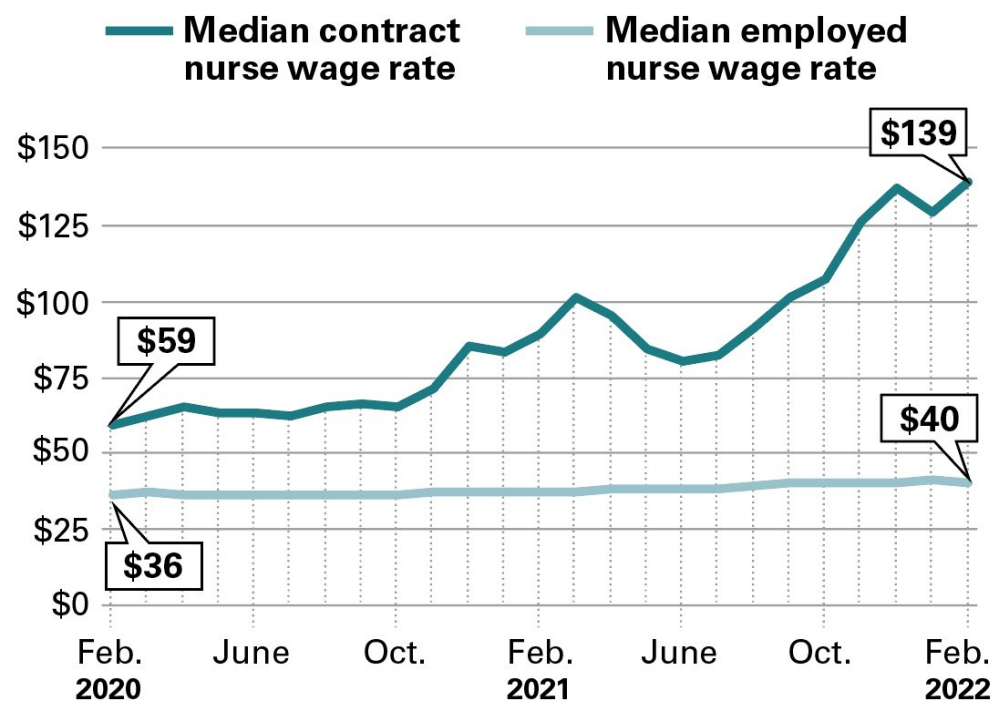
- Occupancy levels are increasing but relatively slowly at this point with many facilities unable to admit residents due to staffing shortages.



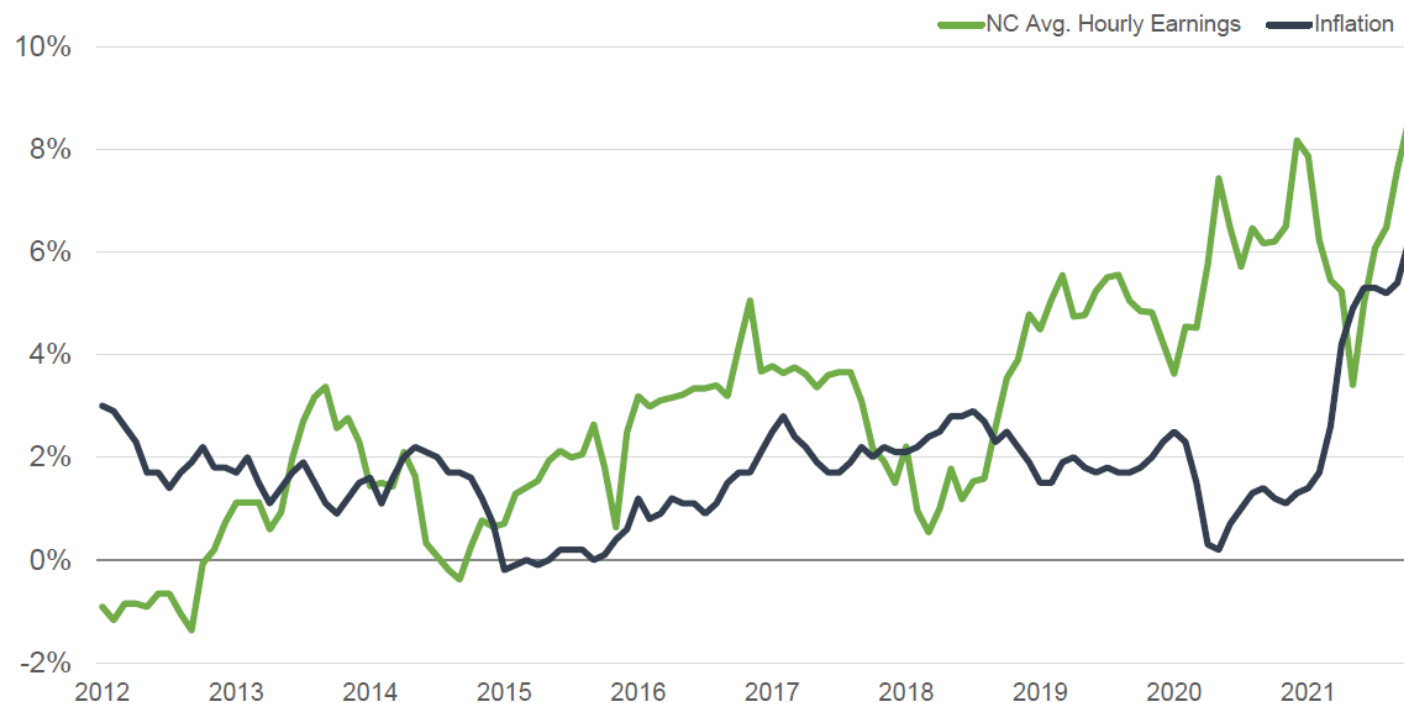
Wage Rates are up

CHANGES IN NURSING WAGE RATES DURING THE PANDEMIC

The median wage rate for contract nurses rose 135% from February 2020 to February 2022, while the wage rate for employed nurses saw little change.



Nursing Care Avg. Hourly Earnings and Inflation Year-over-Year
January 2012 – October 2021



Source: NIC MAP® Data, powered by NIC MAP Vision

Healthcare Labor Market

- 2021 study main findings:
 - ▶ A shortage of labor at the low end of the wage spectrum will limit access to home care
 - ▶ Primary care will increasingly be provided by non-physicians
 - ▶ There will be surpluses of nursing talent in some areas of the south and southwest and shortages elsewhere
 - ▶ A six-figure hiring rush for mental health providers will emerge by 2026

What does this mean for rural hospitals

- Care could suffer
- Service disruption
- Postponing elective care
- Patient experience reduced
- Increased stress on existing staff

What are the staffing levers?

- Increase incentives
- Reduce access to services
- Increase efficiency
- Innovate



Incentives

- Increase wages and other incentives to compete for staff
 - ▶ Wages
 - ▶ Bonuses
 - Structure to ensure you are achieving the desired outcome
 - ▶ Total rewards package (employee education)
 - ▶ Loan repayment
 - ▶ Rural training programs
- Easy to implement
- Creates challenges with internal parity
- Allows you to continue operating at higher occupancy
- Wages, to an extent, are reimbursed for rural MN hospitals/nursing homes (through Medicare Cost report for hospitals and Medicaid reimbursement formula for nursing homes)

Reduce/limit access to services

- Limit access to healthcare services based on staffing availability
 - ▶ Inpatient beds
 - ▶ Nursing home beds
 - ▶ Other outpatient/ancillary services
- Demand is still down and staffing is further limiting capacity; many new building projects are reducing total bed size assuming a more permanent shift in demand
- Leads to inefficient use of space (if empty rooms/beds sit idle)
- Reduces revenue
- Option when other levers fail

Increase efficiency

- Essentially do more with less, by improving efficiency
 - ▶ Operational improvement
 - ▶ Technology solutions
 - ▶ Telehealth
 - ▶ Create space efficiencies/reduce staffing points
- Long-term benefits
- Requires upfront investment in technology, renovation, time

Improving Operations

Support Functions	Governance
	Strategy
	Financial Management
	Information Systems
	Human Resources

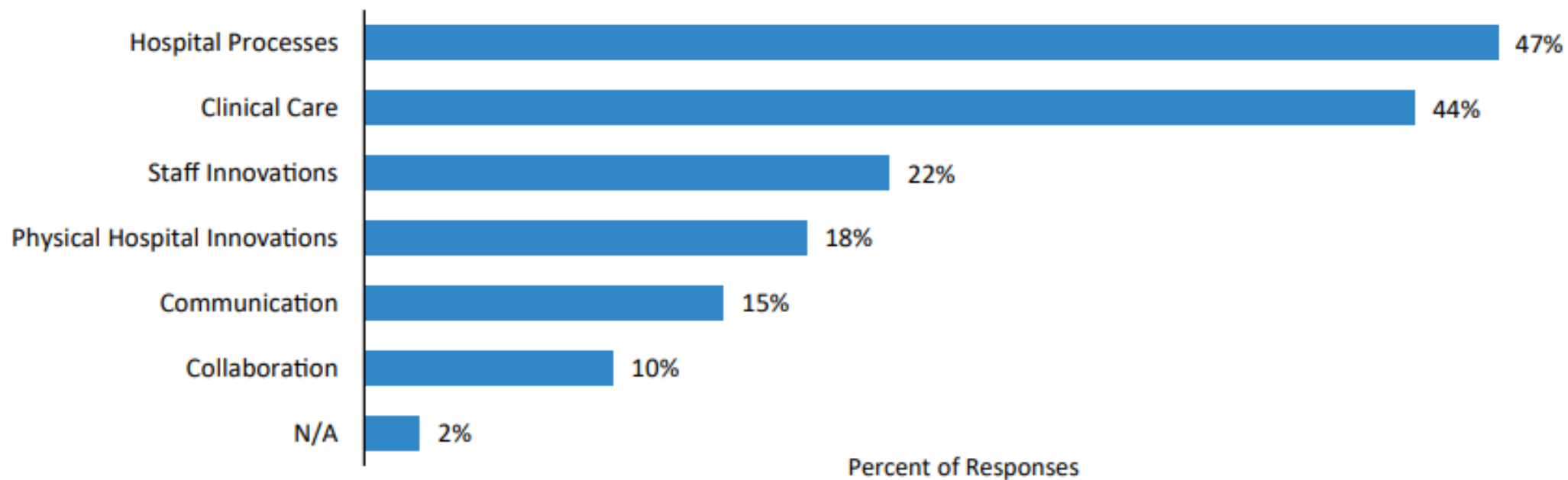
Operational Processes	Profit & Loss Management	Revenue Cycle	Management	EHR System	Provider Services
	Revenue	Gross Collections	Staffing	Scheduling	Clinician Productivity
	Overhead %	Net Collections	Span of Control	Code Checking	Clinician Compensation
	Rent Expense	Days in AR	Training/Compliance	Interface Capability	Clinician Revenue
	Staff Expense	Fee Schedules	Management	Eligibility Checking	Clinician "Supply"
	IT Expense	AR Buckets		Electronic Referrals	
	Expense	Coding/Documentation			

	Needs little or no improvement
	Needs moderate improvement
	Needs significant improvement
	Did not evaluate

Innovate

- Get specific about the workforce shortage issues your organization faces
- Get smarter about how you recruit and retain your workforce
 - ▶ Digitalize and automate recruitment and onboarding
 - ▶ Modernize your employee value proposition
 - ▶ Upend traditional work environments to make them more appealing and sustainable
- Adapt to thrive in the new workforce landscape
 - ▶ Don't hesitate on care model transformation
 - ▶ Reorganize around key services

Types of innovations



Note: Respondents could provide more than one answer for types of innovation

Innovative models

- Swing bed model
 - ▶ Recent examples
- Rural Emergency Hospital (REH)
- Telehealth for Emergency Departments

Swing Bed Model example

- CAH hospitals with attached skilled nursing facilities are negatively impacted on cost-based reimbursement through the Medicare cost report and dilution of expenses assigned to the skilled nursing facility
- Skilled nursing facilities continue to experience staffing shortages, causing limitations on census
- Recently, we have been part of several hospital campus redevelopment projects which plan to eliminate the attached skilled nursing operation and instead provide nursing services to their communities through a swing-bed NF unit within the 25-bed CAH hospital license

Swing Bed Model example

- Many existing CAH hospitals have an inpatient and swing-bed census of 8 or less. This leaves 17 beds, possibly more, available for use in a swing-bed NF setting
- The benefits of this model are multiple:
 - ▶ Creates one set of rules and regulations for a campus to operate under
 - ▶ Creates an opportunity to improve staffing efficiencies and cross-train nursing staff, resulting in lower FTE's needed overall. Some administrative and support costs can be reduced as well
 - ▶ Lower cost of construction for renovation or replacement facility options as compared to improving or creating a larger footprint for both hospital and nursing home buildings
 - ▶ Improves the overall Medicare cost-based reimbursement under the new model; improvements can be significant and help stabilize long-term sustainability, while still offering the needed nursing services to the community

Swing Bed Model example

- Generally, this will require concession of total nursing services offered to the community, and may face political headwinds to gain support
 - ▶ Public education demonstrating the long-term sustainability of all health-care services, including hospital services, under this model has been successful in easing the public anxiety of reducing skilled nursing home services
- This planned transition has been considered for facilities with skilled nursing facility census in the low 30's or less, in our recent experience
 - ▶ Reduction of services may be too great with higher SNF census levels

Swing Bed Model example

- Overall, improvements in revenue and ability to staff lower census levels in the long-term highlight the benefits of this care model transition
- This model is not applicable to every community, but certainly an alternative option we see management teams considering in today's environment

Regulatory Update – Rural Emergency Hospital

Consolidated Appropriations Act of 2021 creates a new Rural Emergency Hospital (REH) provider type beginning January 1, 2023. Critical Access Hospitals (CAH) and rural hospitals with 50 beds or less are eligible to become a REH.

Qualifications of a REH provider type:

- Must provide emergency department and observation services
 - ▶ ER Services must be staffed 24/7 with physician, nurse practitioner, clinical nurse specialist, or physician assistant
 - ▶ Enter into transfer agreements with Level 1 or 2 trauma centers
 - ▶ Comply with anti-dumping rules under EMTALA
- May be an originating site for telehealth services
- May provide other outpatient services (to be determined by rulemaking by the Secretary of HHS)
- Cannot provide any inpatient hospital services (also means cannot operate swing beds)
- Payment for outpatient services will be 105% of the Outpatient Prospective Payment System (OPPS)

Telehealth for emergency departments

- Tele-triage

- ▶ Tele-triage is like traditional triage but uses technology to supplement or replace elements of the patient interaction. Tele-triage involves screening patients remotely to determine the patient's condition and the care needed.

- Tele-emergency care

- ▶ Tele-emergency medicine connects providers at a central hub emergency department to providers and patients at spoke hospitals (often small, remote, or rural) through video or similar telehealth technology.

- Virtual rounds

- ▶ Telehealth technology can be used by health care providers to check on emergency department patients virtually. This helps limit the number of providers who are physically present and exposed to contagious diseases. It also saves time and conserves personal protective equipment.

- E-consults

- ▶ E-consults help providers get recommendations from other providers with specialty expertise.

- Telehealth for follow-up care

- ▶ Telehealth technology can also be used to provide follow-up care for patients who were triaged but not sent to the emergency department, or for patients after they are discharged from the emergency department

Capital Project and Financing Considerations

- How much space do you need
- How much debt can you afford to take on
- Escalation of costs to build
- Financing options



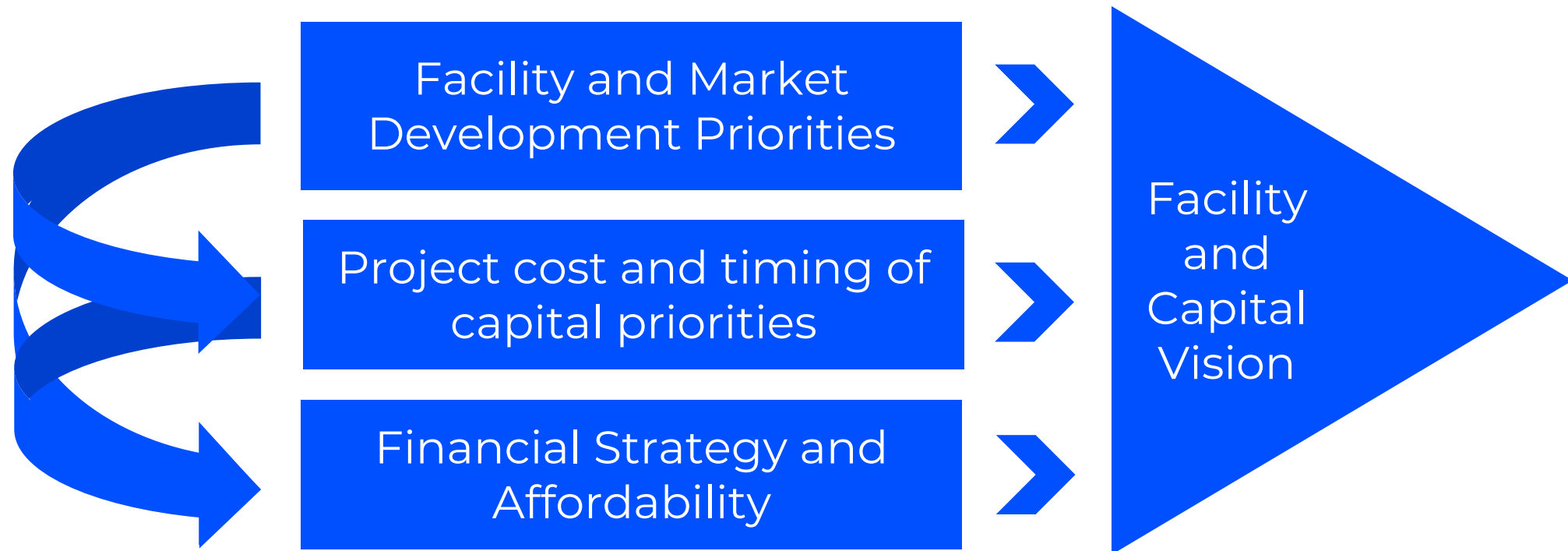
Strategic
Opportunities

Operational
Needs

Environmental
Changes

Facility
Development
Priorities

Facility and market priorities and capital investments tie into a capital vision



Capital strategy is more than just a project financing plan

- Takes a long-range view of facility priorities and capital investments
- Incorporates potential shifts in financial outlook based on strategic initiatives, operational changes and other factors
- Creates a financially sustainable path forward for an organization's improvement and growth efforts

USDA Financing – Key Considerations

- The USDA loan program provides affordable funding to develop essential community facilities in rural areas
 - ▶ An essential community facility is defined as a facility that provides an essential service to the local community for the orderly development of the community in a primarily rural area, and does not include private, commercial or business undertakings
- Eligibility
 - ▶ Public bodies
 - ▶ Community-based non-profit corporations
 - ▶ Federally recognized Tribes
- Definition of Rural
 - ▶ Cities, villages, townships and towns including federally recognized tribal lands with no more than 20,000 residents according to the latest U.S. Census Data are eligible for this program

USDA Financing Terms

- Offer longer debt amortization term of 35 – 40 years versus a 20 – 30-year term through more traditional financing avenues
- Volatile interest rate environment
 - ▶ As of March 31, 2022, USDA Direct Loan program was offering 2.125% fixed interest rate. As of April 1, 2022, the rate increased to 2.50% and is anticipated to increase to 3.50% as of July 1, 2022.
 - ▶ Escalating interest rates and construction costs are impacting overall ability to afford major renovation or replacement projects. Careful planning is needed to navigate these conditions

Capital Project Funding

- Various governmental agencies have offered and continue to offer loan and grant programs to aid rural communities in capital planning and economic development
 - ▶ In addition to its Direct and Guaranteed Loan programs, USDA has various grant programs available for capital planning and construction
 - The USDA resource guide is available at [Stronger Together Federal Funding and Planning Strategies Designed to Promote Sustainable Economic Development in Rural America](https://www.usda.gov/economic-development/funding/stronger-together) ([usda.gov](https://www.usda.gov))
 - ▶ State health departments and other state agencies may also have programs available to assist in employee recruitment and training or capital projects, some with specific designations for rural communities to use the funds

Questions and Answers



Your presenters



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