

State Medicare Rural Hospital Flexibility Program (Flex Program)/ Critical Access Hospital (CAH) program

History:

The Medicare Rural Hospital Flexibility Program (Flex Program) was authorized by section 4201 of the Balanced Budget Act of 1997 (BBA), Public Law 105-33. The Flex Program provides funding to States for the designation of critical access hospitals (CAHs) in rural communities and the development of networks to improve access to care in these communities. Under the program, hospitals certified as CAHs can receive cost-based reimbursement from Medicare.

The Flex Program is based on two programs from the early 1990s: the Essential Access Community Hospital and Rural Primary Care Hospital (EACH/RPCH) program and the Montana Medical Assistance Facility (MAF) demonstration project. These programs successfully showed that States, working with their rural communities and providers, could develop networks of limited-service hospitals and other providers, expand the supply of practitioners, improve the financial position of rural hospitals, and foster the integration of services to improve continuity and avoid duplication.

Description:

The Flex Program consists of two separate but complementary components:

- A Medicare reimbursement program that provides reasonable cost reimbursement for Medicare-certified CAHs is administered by the Centers for Medicare & Medicaid Services (CMS); and
- A State grant program that supports the development of community-based rural organized systems of care in the participating states is administered by the Health Resources and Services Administration through the Federal Office of Rural Health Policy.

To receive funds under the grant program, states must apply for the funds and engage in rural health planning through the development and maintenance of a State Rural Health Plan that:

- Designates and supports the conversions of CAHs;
- Promotes Emergency Medical Services integration initiatives by linking local EMS with CAHs and their network partners;
- Develops rural health networks to assist and support CAHs;
- Develops and supports quality improvement initiatives; and
- Evaluates State programs within the framework of national program goals.

Virginia:

The Virginia Department of Health, Office of Minority Health and Public Health Policy serves as the grantee for the Flex Program in Virginia. As of May 2007, there are seven CAHs in Virginia:

- Bath County Community Hospital - Hot Springs
- Carillon Giles Memorial Hospital – Pearisburg
- Dickenson Community Hospital – Clintwood
- R.J. Reynolds-Patrick County Memorial Hospital - Stuart
- Shenandoah Memorial Hospital - Winchester
- Stonewall Jackson Hospital - Lexington
- Page Memorial Hospital - Luray

For the 2005 and 2006 program years, Virginia used Flex funds to focus on several initiatives:

- EMS studies to increase the EMS capabilities in CAH communities;
- Technology upgrades at each CAH;
- Statewide Rural Health Plan;
- Quality improvements; and
- Telehealth diabetes program.

Updates:

In May, 2007, the Office of Rural Health Policy released the guidelines for the 2007 Flex program grant. All grantees will compete for a portion of the Flex funds. The grant focuses on the following components:

- Development/update of the State Rural Health Plan;
- Performance improvement/quality improvement;
- Supporting eligible hospitals;
- Evaluation; and
- Integration of Emergency Medical Services (EMS).

Networking and conversion of hospitals to CAH status are optional components.