Washington State Department of Health

Fact Sheet
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Office of Community Health Systems Series on Rural-Urban Disparities

Critical Access Hospital Charges, Due to Potentially Avoidable Hospitalizations, by Primary Payer Types: Washington State, 2005 to 2014

Background

Critical access hospitals (CAHs) are rural community hospitals that receive cost-based reimbursement, to help improve access to healthcare services, in rural areas – primarily through outpatient care. Services CAHs provide nurture better quality of life, and help reduce potentially avoidable hospitalizations and related cost.

Hospital charges are meant to represent the cost a hospital bills for a case. However, billed charges may not necessarily be identical to the hospital's actual cost of care or the reimbursements that it collected. Nevertheless, cost and payer profiles are frequently utilized in the overall exploration of the financial health of hospitals. The financial health of CAHs is vital to the overall health status of rural communities. Expenditures in CAHs that are related to potentially avoidable hospitalizations could reflect consequences of un-insurance and under-insurance. Lack of health insurance prevents patients from seeking medical care early, and avoiding preventable hospitalizations.

Methods

Data were obtained from the Washington State's Comprehensive Hospitals Abstract Reporting System (CHARS), 2005 through 2014.

A composite variable representing potentially avoidable hospitalizations was created for adults 18 years and older, approximating the AHRQ method, based on first listed ICD-9-CM diagnosis codes and summing the counts of 12 selected conditions (see appendix). A variable representing listed primary payer was created with four categories: Medicare, private, Medicaid, and self-pay-charity.

We performed descriptive analysis to explore proportions of potentially avoidable hospitalizations-associated charges in CAHs across listed primary payer mix and calendar year. The findings included in this fact sheet are for adults ages 18 and older.

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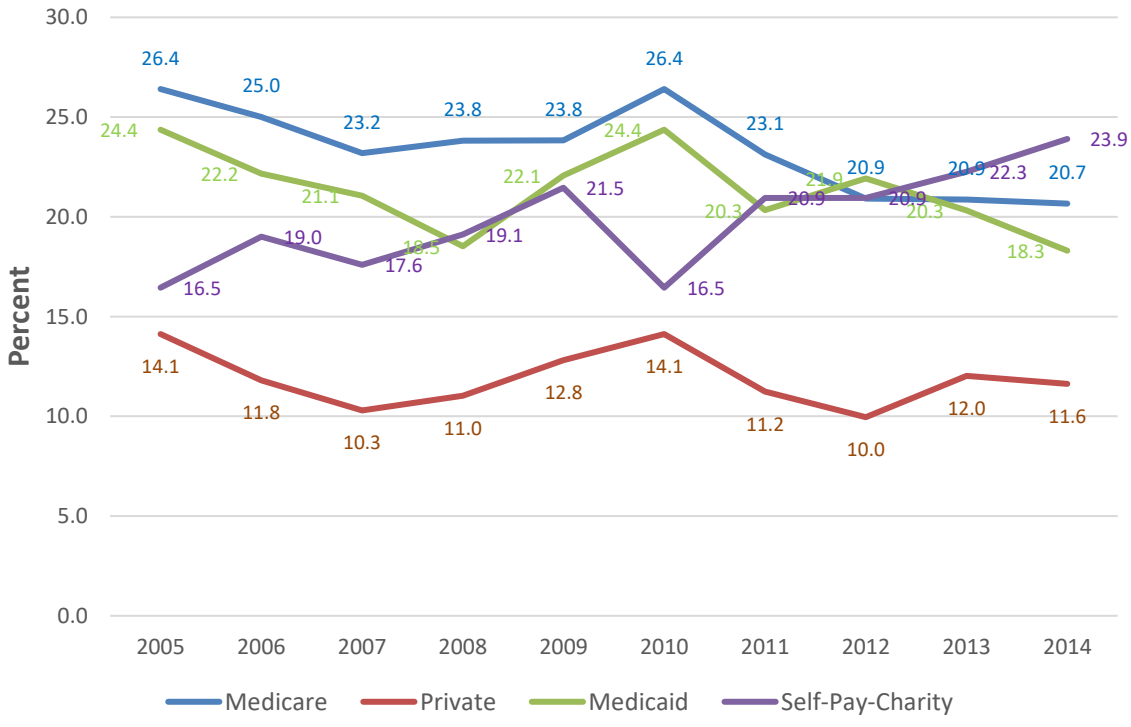
Summary Findings

- Over 2005-2014, there were 184,848 counts of hospital discharge summaries from 39 CAHs in Washington State, where 48,714 (26.4 percent) were due to potentially avoidable hospitalizations.

- In 2014, out of the total 17,062 hospitalizations in CAHs, the percentages of potentially avoidable hospitalizations for each payer type were: Medicare (28.4 percent), private (17.2 percent), Medicaid (22.2 percent), self-pay-charity (25.7 percent), and others (14.8 percent).

- In general, the overall potentially avoidable hospitalizations-related charges as a percentage of all charges in CAHs decreased by 21 percent from 22.6 percent in 2005 to 17.8 percent in 2014.

Figure 1: Percent of CAHs Charges Due to Potentially Avoidable Hospitalizations by Primary Payer Mix: Washington State, 2005-2014



- As depicted above in figure 1 – over 2005-2011, the percentage of CAHs charges, due to potentially avoidable hospitalizations was highest for Medicare patients. The percentage of Medicare charges in 2014 decreased by 22 percent from its level in 2010.

- Over 2005-2014, the percentage of CAHs charges, due to potentially avoidable hospitalizations were the lowest for those with private insurance.

- The percentage of CAHs charges, due to potentially avoidable hospitalizations where Medicaid was listed as the primary payer, decreased by 24.2 percent over 2005-2008. This same percentage bounced back to 22.1 percent in 2009 and showed a 17 percent decrease to 18.3 percent in 2014. It may be too early to attribute, but the observed percent decrease in 2014 could be a reflection of Medicaid expansion policy implemented in Washington State.

- Among the self-pay-charity, which is a proxy for the uninsured group, there was a 45 percent increase in potentially avoidable hospitalizations-related charges as a percentage of all charges, over 2005-2014.

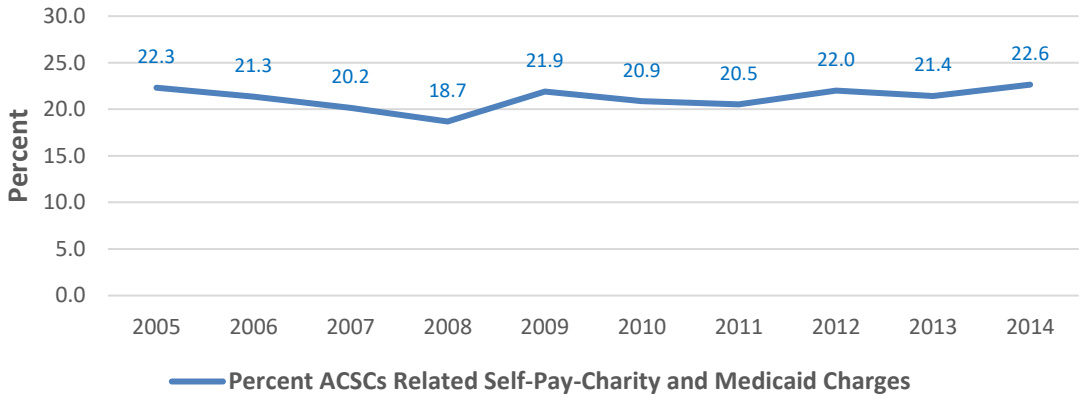
Table 1: Medicare and Medicaid were the primary payers listed for about 85 percent of potentially avoidable hospitalizations-related discharges, and about 40 percent of the potentially avoidable hospitalizations-related charges in critical access hospitals: Washington State, 2014.

Primary Payer	Potentially Avoidable Hospitalizations-Related Discharges	Potentially Avoidable Hospitalizations-Related Charges
Medicare + Medicaid	84.1 percent	39.0 percent
Private	8.4 percent	11.6 percent

Charges made to self-pay-charity (uninsured) and Medicaid patients are of special interest to CAHs, as both payment methods present potential savings to publicly supported services, and to the overall financial health of those vulnerable hospitals located in rural and underserved areas.

- As shown in figure 2 – The percentage of the CAHs charges due to potentially avoidable hospitalizations made to self-pay-charity and Medicaid patients combined, decreased by 16 percent over 2005-2008. However, beginning in 2008, came an increase by 17 percent from 18.7 in 2008 to 22.6 in 2014. The increase in coverage taxed already stretched rural health systems, resulting in possible less access to primary care.

Figure 2: Percent of Critical Access Hospital Charges Due to Potentially Avoidable Hospitalizations by Self-Pay-Charity and Medicaid (combined) Primary Payers: Washington State, 2005-2014



Public Health Systems Implications

- Inadequate access to healthcare services is one of the distinct attributes that influence the health status of populations. Out of necessity, CAHs play an important role serving as safety-net, fostering access to healthcare in rural areas, where shortages of resources remain a challenge.

- In CAHs, Medicare and Medicaid are the two most predominant primary payers for hospital stays due to potentially avoidable hospitalizations. As such, rural areas residents are less likely to have private health insurance coverage, probably as result of contextual difficulties to create and sustain viable private insurance pools.

- Published reports indicated that prevention of illnesses, controlling acute manifestations of diseases from getting worse, and providing quality long-term management of chronic conditions, through adequate and quality primary healthcare in outpatient setups, would help minimize the number of potentially avoidable hospitalizations and any associated cost, particularly in rural and underserved communities.

Appendix

Potentially Avoidable Hospitalization Indicator Conditions
1. Diabetes short-term complication
2. Perforated appendix
3. Diabetes long-term complication
4. Chronic obstructive pulmonary disease
5. Hypertension
6. Congestive heart failure
7. Dehydration
8. Bacterial pneumonia
9. Urinary tract infection
10. Angina
11. Uncontrolled diabetes
12. Adult asthma

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