# Rural Hospital Services Strategic Plan Progress Report

**As Required by**
**Title 4, Texas Government Code**
**Section 531.201**

**Texas Health and Human Services Commission**

**November 2024**

TEXAS
Health and Human Services

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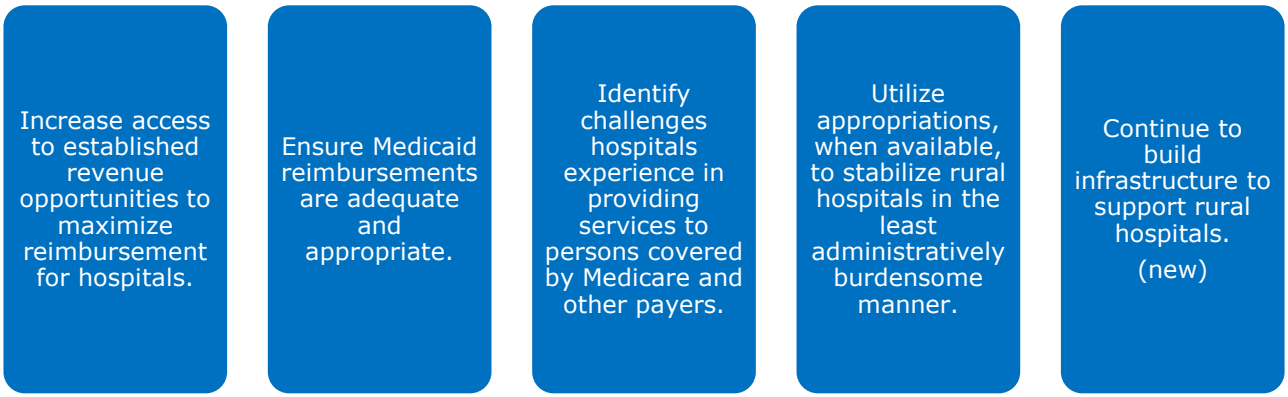
# Executive Summary

Pursuant to Title 4 Texas Government Code Section 531.201, the Health and Human Services Commission (HHSC) is submitting an update on the strategies and operational milestones outlined in the Rural Hospital Services Strategic Plan (the Plan). Reports are due by November 1 of each even-numbered year and will continue to describe the activities undertaken to support the Plan.

In the past two years, HHSC has focused on implementing the strategies in Figure 1 to stabilize rural hospitals and ensure continued access to hospital services for rural Texans.

**Figure 1. Strategies to Ensure Continued Hospital Services Access for Rural Texans.**




The Texas Legislature continues to provide meaningful financial support for rural hospitals through appropriations. 2024-25 General Appropriations Act, House Bill 1, 88th Legislature, Regular Session, 2023 appropriated funding to HHSC to triple the Medicaid rural labor and delivery add-on payment from $500 to $1,500, provide $50 million to the Rural Hospital Grant Program, fund an inflation adjustment that will allow rural hospitals to maintain cost-based reimbursement, and fund telepsychiatry consultations for rural hospitals.

In September 2023, HHSC created the new Office of Rural Hospital Finance and Coordination (RHFC) to provide financial and technical assistance to rural hospitals. RHFC collaborated with stakeholders to prepare this progress report. **Appendix A. Implementation Dashboard** summarizes all the strategies and operational goals

in the Plan, including the anticipated impact, implementation deadline, and status of each operational goal. Future reports may include new strategies and goals to stabilize rural hospitals to ensure that Texans residing in rural areas can access hospital services.

# 1. Introduction

The Health and Human Services Commission submits the Rural Hospital Services Strategic Plan (Plan) Progress Report in accordance with Title 4 Texas Government Code Section 531.201. Per Section 531.201, HHSC must "develop and implement a strategic plan to ensure that the citizens of this state residing in rural areas have access to hospital services" and submit an update by November 1 of each even-numbered year on the agency's efforts to support the strategic plan.

This update outlines key activities undertaken to support the Plan's strategies since the last report and plans to continue to build infrastructure to support rural Texas hospitals. In the past two years, HHSC focused on implementing the following established strategies[1] with the overarching goal of stabilizing rural hospitals to ensure continued access to hospital services for rural Texans:

- Ensure Medicaid reimbursements are adequate and appropriate;
- Increase access to established revenue opportunities to maximize reimbursement for hospitals;
- Identify challenges hospitals experience in providing services to persons covered by Medicare and other payers; and
- Utilize appropriations, when available, to stabilize rural hospitals in the least administratively burdensome manner.

This report describes one additional strategy HHSC identified in collaboration with rural hospital stakeholders to further the goal of stabilizing rural hospitals in Texas:

- Continue to build infrastructure to support rural hospitals.

This progress report outlines HHSC's progress in implementing operational goals for each strategy to maintain access to rural hospital services. The operational goals have a target implementation date or are perpetual goals and are either in process or complete.

[1] The established strategies include the strategies and one future strategy from the 2022 report. The operational goals of the remaining two future strategies from the 2022 report are included under "Ensure Medicaid reimbursements are adequate and appropriate."

# 2. Background

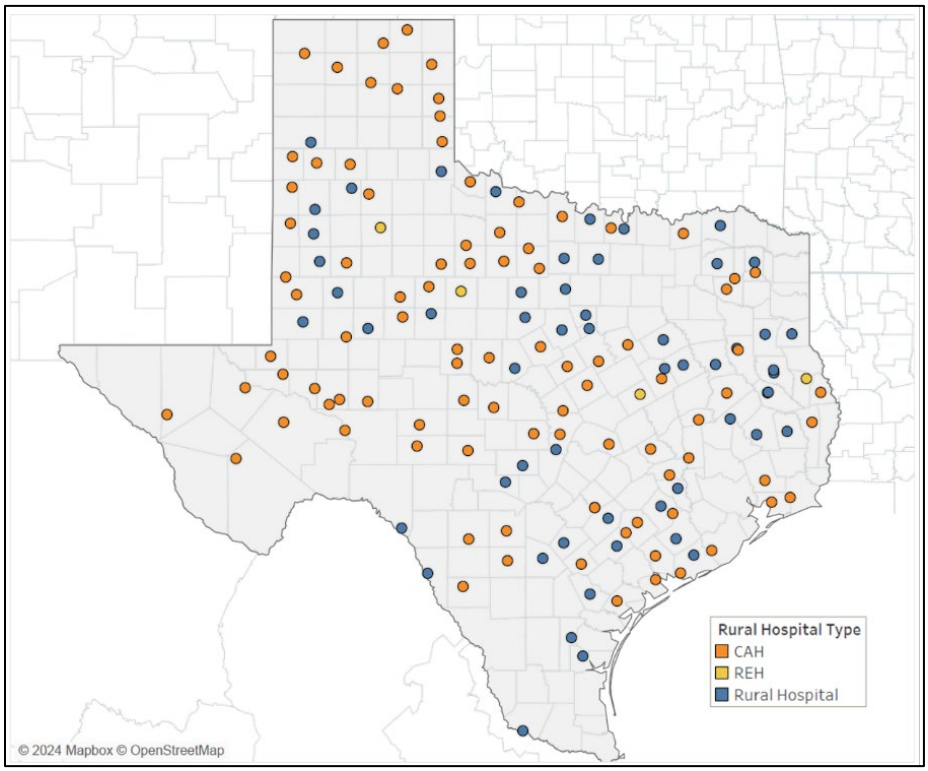
The best available census data indicates that approximately 9.9 percent of Texans (29.2 million) reside in rural areas (Rural Health Information Hub, 2023). For persons living in a rural area, access to hospital services can be the difference between life and death, particularly in an emergency.

There are many definitions of what makes an area or hospital rural. Federal, state, and local government agencies apply various population thresholds to identify these areas, and criteria can vary from program to program (Green, 2023). For this update, HHSC uses the definition of a rural hospital from Title 1 Texas Administrative Code (1 TAC), Part 15, Section 355.8052, Inpatient Hospital Reimbursement, which has been updated since the last progress report to reflect 2020 United States (U.S.) Census data. This rule defines a rural hospital as:

> A hospital enrolled as a Medicaid provider that:
>
> A. is located in a county with 68,750 or fewer persons according to the 2020 U.S. Census;
> B. is designated by Medicare as a Critical Access Hospital (CAH), a Sole Community Hospital (SCH), or a Rural Referral Center (RRC) that is not located in a Metropolitan Statistical Area (MSA), as defined by the U.S. Office of Management and Budget; or
> C. meets all of the following:
>  i. has 100 or fewer beds;
>  ii. is designated by Medicare as a CAH, a SCH, or a RRC; and
>  iii. is located in an MSA.

Figure 2 shows a map of rural hospitals in Texas. As of April 2024, there are 153 rural hospitals in Texas, including 91 CAHs and four Rural Emergency Hospitals (REHs). The map shows all rural hospitals that meet this definition of rural despite Medicaid enrollment status.

**Figure 2. Rural Hospitals in Texas.**




With rural hospital closures, affected communities are without access to hospital services unless they travel long distances. Since 2005, more than 20 rural hospitals have closed in Texas (Cecil G. Sheps Center for Health Services Research, 2024). Since 2020, one rural Texas hospital has closed. Closures have a ripple effect on the community by eliminating jobs, reducing sales tax revenue to local government, reducing school student numbers and driving down state payments to the local schools, increasing the travel burden on residents, negatively impacting the housing market, and impacting local businesses across the community.

While in some cases, rural hospital finances improved during the Coronavirus Disease (COVID-19) pandemic as a result of government relief funds, the lasting impacts of COVID-19 (such as labor shortages and rising prices) have exacerbated the financial issues rural hospitals face. In 2024, the Center for Healthcare Quality and Payment Reform estimates that 25 rural Texas hospitals are at risk of closing in the next three years (Center for Healthcare Quality and Payment Reform, 2024).

Even as hospitals remain open, key service lines, such as labor and delivery, are at risk nationwide as a number of rural hospitals eliminate services or close medical departments (Cass, 2024). Access to obstetric services is a growing concern in rural

areas (Rural Health Information Hub, 2024). Out of 148 counties that lost obstetric services nationwide between 2012 and 2019 due to hospital or unit closures or conversions, 113 (76 percent) were rural (Center for Economic Analysis of Rural Health, 2022). Currently, 43 percent of rural hospitals in Texas provide labor and delivery services (Center for Healthcare Quality and Payment Reform, 2024).

There are many reasons a hospital may close or eliminate services, including declining reimbursement levels, shrinking populations, uncompensated care, and increasing operating costs. The lingering financial impact of COVID-19 continues for Texas hospitals. Even with stimulus support, operating margins remain depressed, expenses highly elevated, and hospital volumes low relative to pre-pandemic levels (Kaufman Hall, 2022).

Rural hospitals face additional challenges, as compared with their urban counterparts. They have high operating costs, mostly due to the cost of "standby" services (Falconnier, 2022). For example, an emergency room must be available even though rural areas may go days without needing one. Facilities also face personnel strains due to staff shortages and increases in outpatient versus inpatient care. Additionally, rural hospitals serve a larger proportion of older, sicker, and indigent patients than the national average (Nataliansyah, 2022).

The Texas Legislature recognizes the importance of stabilizing rural hospitals to ensure access to hospital services for rural Texans. 2024-25 General Appropriations Act, H.B. 1, 88th Legislature, Regular Session, 2023 appropriated funding to HHSC to triple the Medicaid rural labor and delivery add-on payment from $500 to $1,500, provide $50 million to the Rural Hospital Grant Program, fund an inflation adjustment that will allow rural hospitals to maintain legislatively required cost-based reimbursement, and fund telepsychiatry consultations for rural hospitals.[2] This progress report provides updates on the implementation of HHSC activities to achieve the strategies in the Plan with the overarching goal of stabilizing rural hospitals to ensure continued access to hospital services for rural Texans.

[2] The 2024-25 General Appropriations Act, H.B.1, 88th Legislature, Regular Session, 2023 (Article II, HHSC, Rider 56) funded telepsychiatry consultations for rural hospitals. An update on this program will be included in the December 2024 HHSC All Texas Access Report, which will be posted on the HHSC Rural Mental Health website.

# 3. Implementation Progress

This section outlines key activities undertaken since the last report to support the Plan's established strategies and goals to ensure continued access to hospital services for rural Texans. The four strategies are denoted by number and operational goals by letter. A new strategy and related operational goals are presented in the following section. **Appendix A. Implementation Dashboard** contains a summary of all the strategies and operational goals in the Plan, including the anticipated impact, implementation deadline, and status of each operational goal.

## Strategy 1: Ensure Medicaid reimbursements are adequate and appropriate.

HHSC recognizes the importance of ensuring Medicaid reimbursements are adequate and appropriate for rural hospitals. According to the state fiscal year 2023 Medicaid data, rural hospitals were paid approximately 90 percent of their cost for inpatient services and 84 percent for general outpatient services.

The Texas Legislature continues to provide meaningful financial support for rural hospitals through increased appropriations targeted to increase Medicaid reimbursement rates. Since the last report, HHSC has worked to implement the following goals to ensure Medicaid reimbursements are adequate and appropriate. Analysis of this ongoing strategy will involve engagement between HHSC and stakeholders such as the Texas Organization of Rural and Community Hospitals (TORCH) and the Rural Hospital Advisory Committee (RHAC).

### Operational Goal A: Realignment of hospital rates to reflect current costs (Outpatient Services)

HHSC reimburses outpatient hospital services under the reimbursement methodology in 1 TAC Section 355.8061, Outpatient Hospital Reimbursement. The rule states that HHSC will reimburse for outpatient hospital services based on a percentage of allowable charges and an outpatient interim rate. Senate Bill (S.B.) 170, 86th Legislature, Regular Session, 2019, requires HHSC to develop rates that more closely align with rural hospitals' cost of providing Medicaid services.

The 2024-25 General Appropriations Act, H.B. 1, 88th Legislature, Regular Session, 2023 (Article II, HHSC, Rider 8c) requires HHSC to allocate certain appropriated funds to increase outpatient reimbursement rates for rural hospitals using an additional $36.4 million per year in appropriations. The increase in the outpatient reimbursement rate required an amendment to the Texas State Plan for Medical Assistance under Title XIX of the Social Security Act. The rates were effective September 1, 2023. HHSC increased outpatient services reimbursement by applying a percent increase to the cost-to-charge ratio in effect on August 31, 2023. More information on HHSC reimbursement of Outpatient Services can be found on the HHSC Outpatient Services website.

## Operational Goal B: Standard Dollar Amount (SDA) Realignment (Inpatient Services)

S.B. 170, 86th Legislature, Regular Session, 2019 requires HHSC to calculate rates for rural hospital inpatient services using a cost-based prospective reimbursement methodology once every two years, using the most recent cost information available. The realigned state fiscal year 2024 and state fiscal year 2025 SDAs were calculated using current costs (2022 data) and relative weights. HHSC realigns the base SDAs for inpatient rural hospital services every two years. HHSC posts the rates up to a year in advance for public comment. The comment period allows for a thorough review of public comments because some hospitals may see an increase or decrease as the realignment is completed.

The 2024-25 General Appropriations Act, H.B. 1, 88th Legislature, Regular Session, 2023 (Article II, HHSC, Riders 8 and 16) requires HHSC to increase Medicaid inpatient rural hospital labor and delivery rates using an additional $23.5 million per year in appropriations. HHSC recalculated the Labor and Delivery add-on for rural hospitals (triple the Medicaid rural labor and delivery add-on payment from $500 to $1,500) with appropriations from the 88th Legislature. The rates were implemented effective September 1, 2023. The next realignment of rural hospital standard dollar amount (SDA) rates will take effect on September 1, 2025, unless otherwise directed by the 89th Legislature. More information on HHSC reimbursement of Inpatient Services can be found on the HHSC Inpatient Services website.

## Operational Goal C: Updates for Rural Hospitals in Directed and Supplemental Payment Programs

The Comprehensive Hospital Increase Reimbursement Program (CHIRP) Directed Payment Program (DPP) continues for the third program year in state fiscal year

2024. 134 rural providers participated in CHIRP and received rate increases through the CHIRP program with an estimated pool size of $148 million in state fiscal year 2024.

In federal fiscal year 2024, 51 rural hospitals received $149 million through the Disproportionate Share Hospitals (DSH) program, and 152 rural hospitals are participating in the Uncompensated Care (UC) program for Demonstration Year 13 (federal fiscal year 2024). As of August 2024, the UC payment for federal fiscal year 2024 had not yet been made. In Demonstration Year 12 (federal fiscal year 2023), 154 rural hospitals participated in UC and received approximately $408 million in funding through the program.

HHSC will adopt program rule amendments to deem all rural hospitals eligible for the DSH program starting in federal fiscal year 2025 to ensure financial stability for rural hospitals if the UC pool is reduced in the future. These amendments would allow a greater number of rural hospitals to qualify for DSH payments through the DSH program. In addition, starting in Demonstration Year 17 (federal fiscal year 2028), HHSC will reallocate the UC pool to prioritize $1 billion in UC funding to hospitals eligible for the High Impecunious Charge Hospital (HICH) pool, for which rural hospitals are eligible.

The Rural Access to Primary and Preventive Services (RAPPS) DPP continues for the third program year in state fiscal year 2024. 198 Rural Health Clinics (RHCs) participated and received rate increases through the RAPPS program for an estimated program pool size of $28 million in state fiscal year 2024. On August 15, 2024, HHSC received federal approval for the renewal of the RAPPS program from the Centers for Medicare and Medicaid Services (CMS) for state fiscal year 2025.

HHSC adopted an amendment to 1 TAC Section 353.1315 concerning RAPPS effective on January 25, 2024, to simplify the program structure by consolidating RAPPS into a single component beginning for SFY 2025. All payments will be directed to be paid by the Medicaid Managed Care Organization (MCO) as a lump-sum payment based on a scorecard issued by HHSC. This amendment reduces the administrative burden on providers and MCOs because the payments will no longer be made via the claim adjudication process and will be exclusively made via the monthly scorecard outside of the claims process.

The Aligning Technology by Linking Interoperable Systems for Client Health Outcomes Program (ATLIS) is an incentive program operated under the authority of 42 Code of Federal Regulations (C.F.R.) Section 438.6(b)(2) and in accordance with

the Texas Uniform Managed Care Manual, Chapter 6. HHSC has worked to develop the ATLIS program as a new, innovative solution to support Medicaid MCOs in improving the receipt of electronic data from hospitals in their networks. Under the ATLIS program, HHSC will enter into incentive arrangements with MCOs for achieving certain milestones on a semi-annual basis, so the milestones will build on prior accomplishments over five years. For state fiscal year 2025, the program will be focused on implementing electronic health information exchange solutions in STAR Kids, STAR+PLUS, and STAR. Participating MCOs can earn percentages varying from 0.05 to 5.00 percent of their capitation. Their payment will depend on their achievement of milestones related to various provider classes within their networks and if the MCO receives any payments under the Medical Pay-for-Quality Program operated by HHSC. The total program value will be restricted to ensure that the first year of the program is operationally manageable and achievement is proportional to the degree of difficulty of performance achievement. The program will encourage MCOs to work with their in-network rural hospitals to enhance electronic health information infrastructure and exchange. More information on Medicaid Supplemental Payment Programs and DPPs in Texas can be found on the Medicaid Supplemental Payment and Directed Payment Programs website.

### Operational Goal D: Update the TAC Rule to reflect the usage of the latest 2020 Census data

The definition of a rural hospital from 1 TAC Section 355.8052, Inpatient Hospital Reimbursement, has been updated since the last progress report to reflect the 2020 U.S. Census data. No hospitals currently enrolled in Medicaid changed from rural to non-rural or vice-versa due to this definition change. REHs may meet the definition of a rural hospital based on the size of the county in which they are located. HHSC will plan to review the 2030 U.S. Census data to recommend any appropriate future updates.

## Strategy 2: Increase access to established revenue opportunities to maximize reimbursement for hospitals.

Since the last report, HHSC has worked to implement the following goals to increase access to established revenue opportunities to maximize reimbursement for hospitals.

## Operational Goal A: Work with cross-agency staff to identify federal grant opportunities for rural hospitals and healthcare providers

HHSC staff continue to work with cross-agency staff to identify federal grant opportunities for rural hospitals and health care providers. HHSC anticipates that similar cross-agency approaches will be used as new grant opportunities are made available.

### Community Health Access and Rural Transformation Model

The Community Health Access and Rural Transformation (CHART) Model was a 7-year federal funding opportunity for eligible rural hospitals to voluntarily participate in testing health care transformation supported by payment reform through the implementation of Alternative Payment Models (APMs) in Medicare and Medicaid. The project period was to run from October 1, 2021, to December 31, 2028. However, on March 17, 2023, the CMS announced that the CHART Model was ending earlier than expected due to a lack of participation nationwide (Centers for Medicare and Medicaid Services, 2024).

The purpose of the CHART Model was to improve the financial stability of participating rural hospitals through capitated arrangements and strategies to address health care challenges through telemedicine. Through the CHART Model, health care providers, as well as public and private payers, could collectively invest in increasing access to care, promoting quality, and improving health outcomes of residents within the CHART Model Community.

The CHART Community Transformation Track was designed to provide three ways for rural hospitals to transform their local health care system:

- Participant Hospitals would receive regular, lump-sum payments, also called a "Capitated Payment Amount," in place of their Medicare Fee-For-Service claims reimbursement for Eligible Hospital Services as defined by CMS for the duration of the project.
- Lead Organizations would receive cooperative agreement funding to implement their health care delivery system redesign strategy tailored to their CHART Model Community's needs.
- Participant Hospitals could leverage certain operational flexibilities available under the CHART Model to expand their ability to implement their health care delivery system redesign strategy.

In 2021, CMS selected HHSC as one of four Lead Organizations to participate in the CHART Model Community Transformation Track. As the Lead Organization for Texas, HHSC was responsible for driving the health care delivery system redesign by leading the development and implementation of the CHART Model Transformation Plans and convening and engaging the Advisory Council.

As the Lead Organization, HHSC would have received up to $5 million in cooperative agreement funding from CMS to support the implementation of the CHART Model. HHSC's goal was to use the funding to provide technical assistance and support participating hospitals in purchasing Telemedicine equipment, training, and software. These resources can be used to implement transformation goals to address at least one of the community health challenges common to rural Texas, including (1) lack of coordinated care; (2) uncoordinated care transitions resulting in unplanned hospital readmissions; (3) improved treatment and prevention of chronic conditions like diabetes, cardiovascular disease, and congestive heart failure; and (4) limited or no access to primary and specialty care. The CHART Model also required 'Medicaid Alignment,' in which the State Medicaid Agency would participate as an Aligned Payer to achieve alignment in certain financial, operational, and quality characteristics starting in calendar year 2024.

Since no hospitals decided to participate in the CHART Model, CMS allowed Lead Organizations (such as HHSC) to expend CHART Model funds by September 30, 2023, to advance the Strategic Priorities previously approved by CMS. In this effort, HHSC spent CHART Model funds to advance rural hospital knowledge of the provision of health care services through Telehealth and rural APMs. HHSC succeeded in supporting 41 staff from eleven rural hospitals in registering and receiving reimbursement for the Frontiers in Telemedicine Training, securing two rural APM subject matter experts to present at the fall 2023 TORCH conference, and providing scholarship funding for two rural physicians' attendance at the Conference. Information on the planned implementation of the CHART Model in Texas can be found on HHSC's CHART Model Website.

# Strategy 3: Identify challenges hospitals experience in providing services to persons covered by Medicare and other payers

Since the last report, HHSC has worked to implement the following goals to identify challenges hospitals experience in providing services to persons covered by Medicare and other payers.

## Operational Goal A: Analyze federal rules and regulations to identify barriers to rural hospital services

### New Rural Emergency Hospital Designation

A Rural Emergency Hospital is a new Medicare provider type designed to maintain access to critical emergency and outpatient hospital services in communities that may be unable to support or sustain a Critical Access Hospital or small inpatient rural hospital. The U.S. Congress established the REH designation in December 2020 through Section 125 of the Consolidated Appropriations Act, 2021, effective Jan. 1, 2023. Conversion to an REH allows the hospital to provide emergency services, observation care, and (if elected by the REH) additional medical and health outpatient services that do not exceed an annual per-patient average of 24 hours.

According to CMS, the REH designation provides an opportunity for CAHs and certain rural hospitals to avert a potential closure and continue providing essential services for their communities (Centers for Medicare and Medicaid Services, 2022). Facilities eligible to apply for the REH designation include CAHs and rural acute care hospitals with 50 or fewer beds that were open as of or December 27, 2020. Hospitals can apply for an REH designation from CMS once the state establishes licensing requirements for this new provider type.

On October 5, 2023, HHSC adopted standard rules (26 TAC, Chapter 511) concerning Limited Services Rural Hospitals (LSRH). These rules permit a qualified rural hospital to be designated as an REH under C.F.R. Sections 485.502 and 485.506 and to apply to HHSC for an LSRH license under Texas Health and Safety Code Chapter 241, Subchapter K. As of August 2024, four hospitals are licensed as REH or LSRH in Texas. A current list of licensed REH or LSRH hospitals can be found on the HHSC LSRH website.

Each rural hospital that converted to an REH in 2024 received an HHSC financial stabilization grant to assist them with converting to this new provider type. More information about these grants can be found in Strategy 5 of this report and in the Rural Hospital Grants Program report that is required by 2024-25 General Appropriations Act, H.B. 1, 88th Legislature, Regular Session, 2023 (Article II, HHSC, Rider 88), Rural Hospital Grant Program.

HHSC has received reports from some hospitals regarding their inability to provide limited inpatient services such as labor and delivery and swing beds as significant barriers to REH and LSRH participation. HHSC will continue collaborating with rural hospital stakeholders to monitor these and other federal rules and regulations to identify barriers to rural hospital services.

## Operational Goal B – Analyze state regulatory requirements to determine if cost reductions can be achieved

Currently, HHSC has not identified modifications to state rules to reduce compliance costs for rural hospitals. However, HHSC will continue to collaborate with rural hospital stakeholders to monitor state regulatory requirements and determine if cost reductions can be achieved.

## Operational Goal C – Engage rural hospital community, related hospital associations, and other state agencies to identify challenges rural hospitals experience

HHSC continues to recognize the importance of identifying challenges hospitals experience in providing services to persons covered by Medicare and other payers. In supporting the CHART Model, HHSC worked closely with interested rural hospitals and community partners to identify challenges rural hospitals experience in providing and maintaining services. Key challenges identified include workforce shortages, limited access to technology, inflationary pressures following COVID-19, and limited financing to invest in needed infrastructure improvements.

Rural hospital stakeholders are challenged to create and participate in APMs due to limited utilization and requirements to report on additional quality measures. Rural hospital stakeholders reported interest in aligning APM quality measures with those already reported by rural hospitals where possible to lessen the administrative burden of rural hospital participation in APMs.

HHSC considered rural hospital challenges in developing the new strategy presented later in this report and continues to engage the rural hospital community, related hospital associations, and other state agencies to identify challenges rural hospitals experience in providing and maintaining services to rural Texans.

# Strategy 4: Utilize appropriations, when available, to stabilize rural hospitals with the least administrative burden

Since the last report, HHSC has worked to implement the following goal to use appropriations, when available, to stabilize rural hospitals with the least administrative burden.

## Operational Goal A: Analyze options to utilize additional appropriations, when available, to stabilize rural hospitals

The Texas Legislature appropriated $50 million to HHSC for state fiscal years 2024 to 2025 to establish a grant program for rural hospitals. The grants must target the following needs: financial stabilization, maternal care operations, and APM readiness. The grant funding is provided by 2024-25 General Appropriations Act, H.B. 1, 88th Legislature, Regular Session 2023 (Article II, HHSC, Rider 88), Rural Hospital Grant Program.

In 2022, the Plan identified that the administrative burden of a competitive grant process on HHSC and rural providers may have delayed grant payments for COVID-19 relief. It may also have increased the administrative burden by lessening the stabilizing impact of the funding, making it less effective than it might otherwise have been. As a result, HHSC considered options to use appropriations for the Rural Hospital Grant Program in the least burdensome manner possible, including:

1. Using funds as the non-federal share of DPPs or supplemental payment programs like CHIRP, RAPPS, DSH, or UC;

2. Administering grants as an open-enrollment, non-competitive procurement; or

3. Issuing direct grant awards for hospitals in emergency situations.

In SFY 2024, HHSC prioritized distributing Rural Hospital Grant Program grant awards in a manner that had a reduced administrative burden on rural hospitals during the application process, as well as allowed staff to make grant awards on a rolling basis so funding could be released quickly. Due to the small number of providers that are known to be rural hospitals, HHSC was able to tailor eligibility requirements for rural hospital grants (e.g., hospital license type, licensed bed count, sole provider status, etc.) to ensure sufficient funding existed so all eligible applicants could receive a grant award. However, existing procedures require HHSC to use a competitive process (e.g., Request for Applications (RFA)) to distribute most grants since rarely is funding sufficient for all applicants to receive awards. Competition is needed so award decisions can be made among grant applicants. When sufficient funds exist, the need for competition is effectively eliminated because all eligible applicants will receive an equal amount of funding.

HHSC Procurement and Contracting Services worked with the RHFC to modify the agency's standard competitive RFA template so that it aligned better with RHFC grant goals (e.g., no competition, guaranteed award to every eligible vendor, non-negotiable contract) in the grant award process. Two rural hospital grants used the newly modified RFA template to award non-competitive financial stability and maternal care operation grants. Due to the process development, the release of the Rural Hospital Grant program funding was moved from April 2024 to July 2024.

To further reduce the administrative burden of these grants, HHSC will create additional resources for rural hospitals as needed. HHSC posted resources online for grants, including a frequently asked questions document and checklist. More details on these grants and grants planned for state fiscal year 2025 can be found later this report and in the 2024 Rural Hospital Grant Program Report posted on the RHFC website.

# 4. Continue to Build Infrastructure to Support Rural Hospitals

As HHSC worked with stakeholders to continue to implement the Plan, it became evident that a permanent focus on rural hospitals and dedicated support for owners and operators of rural hospitals would be beneficial. This focus and support are needed for the successful execution of the goals contained within the strategic plan and for future HHSC initiatives designed to bolster them and maintain rural hospital services.

This section outlines a new strategy HHSC is incorporating into the Plan, related operational goals, and activities completed and underway to advance these goals. The strategy is denoted by number and operational goals by letter. **Appendix A. Implementation Dashboard** contains a summary of the strategies and operational goals in the Plan, including the anticipated impact, implementation deadline, and status of each operational goal.

## Strategy 5: Continue to build infrastructure to support rural hospitals

### Office of Rural Hospital Finance and Coordination

In September 2023, HHSC created the Office of Rural Hospital Finance and Coordination (RHFC) to provide financial and technical assistance to help preserve rural hospitals' continued participation in the delivery of health care services to Texans. HHSC established RHFC under the Provider Finance Department within the Chief Financial Officer Division. RHFC functions include administering the Rural Hospital Grant Program, providing technical assistance to rural hospitals, and leading efforts to implement and continue to update the Plan. RHFC posts updates about its ongoing work on the HHSC website.

RHFC surveyed rural hospital stakeholders in September 2023 and held focus groups in December 2023 and March 2024 to focus its resources and efforts on assistance and grants that rural hospitals would need most. In the survey, HHSC asked stakeholders about their needs and preferences related to financial assistance through the Rural Hospital Grant Program and what types of technical assistance RHFC could provide that would be most helpful. The focus groups

allowed stakeholders to give more in-depth feedback about the challenges they face and solutions that may be worth exploring.

In the focus groups and the survey, rural hospital stakeholders reported that finances remain a significant challenge. They also expressed concern about navigating the patchwork of programs available to support rural hospitals. Figure 3 summarizes the challenges identified in the focus groups and initiatives underway.

**Table 1. Rural Hospital Stakeholder Feedback.**

| Priority Concerns | HHSC Response |
|---|---|
| 1. Rural hospitals in trouble are not identified in time to make significant positive changes. | In State Fiscal Year (SFY) 2025, HHSC plans to create a Rural Hospital Fiscal Check-Up tool to allow hospital officials to periodically self-assess key data to determine the facility's fiscal fitness. |
| 2. Constant turnover at the hospital leadership level makes it challenging to foster relationships between hospitals and entities that can provide assistance, thereby hindering the ability to identify problems earlier. Enhanced hospital finance training could educate incoming executives and strengthen relationships among rural hospital officials. | HHSC is discussing options to address this issue with stakeholders. |
| 3. Various programs exist to support rural hospitals, but rural hospitals do not always know where to go for the most effective assistance. | HHSC implemented a "Front Door to HHS" initiative with dedicated resources and referral staff to assist rural hospitals in navigating complex HHS questions. HHSC is presenting information about the "Front Door to HHSC" initiative at regional meetings with hospitals. |
| 4. Finances continue to be a major challenge. | HHSC created grant opportunities to assist with improving the financial solvency of hospitals. |
| 5. Rural hospitals without a labor and delivery unit need basic neonatal equipment for emergencies. | HHSC created a grant in July 2024 for rural hospitals *without* an inpatient labor and delivery unit to receive $35,000 to purchase neonatal supplies, equipment, and training. |

| Priority Concerns | HHSC Response |
|---|---|
| 6. All rural hospitals need access to certain data sets and their analysis to identify financial opportunities and vulnerabilities specific to their facility and geographic area. | HHSC awarded TORCH a grant in July 2024 to provide access to certain data sets and their analysis for all rural hospitals. |
| 7. Rural hospitals currently lack the infrastructure for sharing best practices and lessons learned on key issues, including staff turnover and burnout, swing bed preservation and maximization, and urban partnership creation. | HHSC will put these topics on the agenda to discuss at regional meetings. |
| 8. Broadband access is inadequate throughout the state. | The Texas Comptroller of Public Accounts (CPA) Texas Broadband Development Office provides various tools and resources (including grants) to support expanding broadband access across Texas. HHSC staff have been invited to participate as members of an advisory group to advise this office on grant design and implementation. |

To address these and other identified needs, RHFC is working to implement the following operational goals to continue building infrastructure at HHSC to support rural hospitals in Texas.

## Operational Goal A – Expand technical assistance functions

HHSC provides  technical assistance and intends to continue expanding its functionality. HHSC is implementing the following initiatives to address the first three major concerns identified by rural hospital stakeholders.

### Rural Hospital Fiscal Check-Up

HHSC received stakeholder reports that troubled rural hospitals are often not identified in time to make significant positive changes. Addressing this issue is the first step to helping hospitals stabilize financially. In state fiscal year 2025, as a first step, HHSC will work with the Texas Organization of Rural and Community Hospitals (TORCH) to create a Rural Hospital Fiscal Check-Up tool to allow hospital officials to periodically self-assess critical data to detect changes earlier that could impact a facility's fiscal fitness.

## Rural Hospital Finance and HHS Payment Program Training

Rural hospital stakeholders report that many Texas rural hospitals face significant executive turnover that contributes to instability. Constant turnover at the hospital leadership level makes it challenging to foster relationships between hospitals and entities that can provide assistance, thereby hindering the ability to identify problems earlier. Training hospital finance executives about Medicaid and its supplemental and directed payment programs could help strengthen relationships between HHS and rural hospital representatives and educate incoming rural hospital executives about HHS payment programs. While some entities provide training on operational and regulatory issues, there is an ongoing need for educational resources for incoming rural hospital executives and board members, particularly in the area of hospital finance. HHSC is in discussion with stakeholders about options to address this issue.

## "Front Door" to HHS for Rural Hospitals

Some stakeholders reported that although various programs exist to support rural hospitals, they do not always know where to go for the most effective assistance. To address this issue, HHSC implemented a "Front Door to HHS" initiative with dedicated resources and referral staff to assist rural hospitals in navigating complex HHS questions. RHFC staff are establishing contacts and working relationships with all divisions serving rural hospitals within HHSC and with external stakeholders interested in supporting rural hospitals.

To strengthen RHFC's efforts to serve as the front door to HHS, RHFC created an email box (RuralHospitalHelp@hhs.texas.gov) dedicated to rural hospital stakeholder inquiries about HHS programs. Internally, RHFC has facilitated more than 20 introductory meetings with key staff in other divisions to gather information needed to provide information and contacts for stakeholder inquiries. The team works with HHS advisory councils, internal workgroups, and other existing work efforts to augment its resource database.

RHFC coordinates meetings with multiple HHS divisions when a rural hospital has complex questions or issues involving multiple program areas in the state HHS system. This coordination is meant to ensure a rural hospital's inquiry is addressed as a whole without requiring additional back-and-forth for resolution. As of August 2024, RHFC assisted rural hospitals with 80 technical assistance inquiries on topics such as Supplemental Payment Programs and DPPs, licensing and Medicaid enrollment, Medicaid benefits and policy, Medicaid claims reimbursement, and Vital

Statistics. RHFC provides ongoing assistance to hospitals experiencing significant financial hardship and changes of ownership, coordinating across HHSC to expedite processes such as hospital licensure and Medicaid enrollment.

RHFC plans to host technical assistance webinars and meetings and is preparing informational documents for rural hospitals about HHS programs and related questions. RHFC has posted two documents for rural hospitals on its website, including a "How Can We Help You" document that outlines RHFC technical assistance functions and a "Commonly Asked Questions" document that shows sample questions from rural hospital stakeholders received by RHFC and their answers. RHFC plans to update these documents regularly and add other documents to support rural hospitals' understanding of HHS programs. RHFC also plans to host regular office hours for rural hospital stakeholders to ask questions and learn about HHS programs. When requested, the RHFC team will lead initiatives to augment communication between HHSC and rural hospitals, including leading awareness campaigns for existing program opportunities or programmatic changes.

## Rural Hospital Meetings and Site Visits

Rural hospital stakeholders identified that it would be helpful to meet with HHSC staff and their regional peers regularly to strengthen relationships, network with other stakeholders, and learn about best practices to enhance their facility financially and operationally. Stakeholders reported having a positive experience with regional meetings for the Delivery System Reform Incentive Payment Program. They asked RHFC to facilitate similar opportunities for shared learning on topics such as swing bed optimization, maternal health operations, and best practices for staffing.

To address this request, RHFC is hosting rural hospital regional meetings to promote peer-to-peer learning and foster relationships between rural hospitals and HHSC staff. From August 2024 to February 2025, RHFC plans to host at least six initial regional meetings across the state to introduce the new functions of the office and identify opportunities for shared learning and collaboration. To date, RHFC staff have conducted multiple site visits to hospitals throughout the Panhandle and West Texas and held regional meetings in Hereford and Pecos. Reginal meeting agendas include: RHFC updates, Medicaid finance topics, and Local Funding and Oversight informaiton, peer sharing of best practices, and networking opportunities. RHFC expects to complete 22 rural hospital site visits by October 31, 2024.

## Technical Assistance for Medicaid DPPs and Supplemental Payment Programs for Rural Hospitals

Rural hospitals are eligible to participate in several Medicaid payment programs that provide hospitals with additional funding. These include the DSH and UC supplemental payment programs and the CHIRP DPP.

RHFC analyzes rural hospital participation in certain Medicaid payment programs, assesses participation barriers, and provides technical assistance to rural hospitals wanting to participate in Medicaid DPPs and Supplemental Payment Programs. In January 2024, RHFC identified three rural hospitals that had never participated in CHIRP. In February 2024, RHFC conducted outreach efforts to these hospitals to increase awareness and participation in CHIRP for state fiscal year 2025; one hospital from this group applied to CHIRP 2025 after the outreach.

RHFC plans to continue to collaborate with rural hospital stakeholders to identify opportunities for additional technical assistance related to these payment programs. Planned initiatives currently include:

- Identifying barriers to participation and outreach pertaining to supplemental payment programs available to rural hospitals;
- Developing a summary of key dates (e.g., enrollment period, quality reporting, intergovernmental transfer);
- Providing information for all DPPs and supplemental payment programs applicable to rural hospitals; and
- Providing technical assistance on HHSC program applications, tools, and surveys (including applications for certain Medicaid DPPs and supplemental payment programs).

## Rural Hospital Finance Resource Library

RHFC received reports from rural hospital stakeholders that they do not always know where to go for the most effective assistance despite the availability of multiple assistance programs for rural hospitals. A patchwork of programs exists at both the federal and state levels, and through entities such as Texas A&M University, Texas Tech University, Texas Hospital Association (THA), and TORCH. While this assistance can be helpful, stakeholders reported that it can be overwhelming for hospital executives to determine where to go for the most effective assistance. Rural hospital stakeholders reported to RHFC that it would be

helpful for RHFC to monitor information on new and existing assistance to ensure rural hospitals have easy access to up-to-date information.

To support the CHART Model and rural hospitals, HHSC collected and organized Texas rural hospital finance resources in a resource library for internal use by HHSC staff. HHSC sourced information from reliable and recognized sources on topics relevant to rural hospitals in Texas, such as rural APMs, rural transportation, healthcare data, and Texas Medicaid. RHFC plans to keep up with current opportunities for rural hospitals in Texas and update this resource library as an HHSC staff resource. Staff can use this library to enhance their ability to make referrals, conduct research to support rural hospitals, and ensure that rural hospitals have easy access to up-to-date information.

## Operational Goal B – Create financial assistance opportunities for rural hospitals

To address the subsequent three major issues identified by rural hospital stakeholders, HHSC created grant opportunities to assist with improving the financial solvency of hospitals. RHFC aims to continue to expand its financial assistance opportunities for rural hospitals. In this effort, RHFC administers the Rural Hospital Grant Program and advises HHSC on creating financial assistance opportunities for rural hospitals.

### Rural Hospital Grant Program

The Rural Hospital Grant Program targets improving rural hospital financial stabilization, maternal care operations, and APM readiness. A summary of RHFC's progress in state fiscal year 2024 administering the program is outlined below. More details on the grants awarded in state fiscal year 2024, including a list of grant recipients by grant type and plans for state fiscal year 2025, can be found in the 2024 Rural Hospital Grant Program Report posted on the RHFC website.

## Financial Stabilization

Stakeholders reported to HHSC that finances continue to be a major challenge for rural hospitals. To help stabilize rural hospitals, HHSC prioritized the distribution of financial stabilization grants in state fiscal year 2024. Financial Stabilization Grants for Texas REHs are the first grants issued by HHSC in October 2023 to distribute the funding appropriated by the Texas Legislature for state fiscal year 2024 to 2025. These grants are meant to provide short-term financial support to the REH hospitals for their operational costs as they transition to their new role as an

emergency hospital and improve long-term financial solvency and sustainability. Rural hospitals that obtained both the state LSRH license under Texas Health and Safety Code Chapter 241, Subchapter K, and the federal REH designation from CMS by August 31, 2023, were eligible to apply for the Texas Rural Emergency Hospitals Financial Stabilization Grant. For each eligible hospital, HHSC provided a two-year grant of $750,000 distributed quarterly in four flat-fee amounts of $187,500 for the first grant year. HHSC will distribute $375,000 quarterly in four flat fee amounts of $93,750 for the second grant year. The funding opportunity for the Texas Rural Emergency Hospitals Financial Stabilization Grant application closed on October 13, 2023.

In July 2024, HHSC posted the Rural Hospital Financial Stabilization Grant. The Rural Hospital Financial Stabilization Grant provides eligible rural hospitals time-limited financial support for operational costs and long-term financial solvency and sustainability. Grants are provided as a two-year award of a lump-sum payment to each recipient based on their financial need. The three tiers of financial need are:

- Tier 1 (Basic Need) – $100,000 in state fiscal year 2024; $50,000 in state fiscal year 2025
- Tier 2 (Moderate Need) – $175,000 in state fiscal year 2024; $87,500 in state fiscal year 2025
- Tier 3 (High Need) – $250,000 in state fiscal year 2024; $125,000 in state fiscal year 2025

HHSC determined financial need using criteria identified in the RFA and supported with documentation from the hospital. Recipients of the HHSC Rural Emergency Hospital (REH) Financial Stabilization Grant were not eligible. HHSC posted Rural Hospital Financial Stabilization Grant resources on its website, including a "Frequently Asked Questions" document and checklist.

HHSC also distributed direct award grants to stabilize two hospitals experiencing financial hardships, such as the loss of buildings destroyed by fire, in state fiscal year 2024.

HHSC plans to continue fostering the financial stabilization of rural hospitals in Texas with an additional grant in state fiscal year 2025. Rural hospital stakeholders reported financial struggles related to debt burden, and capital repairs and improvement. To address these issues, HHSC plans to release an RFA in state fiscal year 2025 for rural hospitals to apply for a one-time grant for financial stabilization, including debt reduction.

## Maternal Care Operations

Stakeholders reported to HHSC that basic neonatal equipment for rural hospitals without a labor and delivery unit is needed for emergencies. To address this need, HHSC created a grant in July 2024 for rural hospitals without an inpatient labor and delivery unit to receive $35,000 to purchase neonatal supplies and equipment. HHSC posted the grant to advance Maternal Care Operations on August 5 and began awarding funding in September 2024. The grant remained open for applications through September 13, 2024, spanning fiscal years 2024 and 2025.

## APM Readiness

Stakeholders reported to HHSC that funding is needed to provide all rural hospitals with access to certain data sets and their analysis, allowing them to identify financial opportunities and vulnerabilities specific to their facility and geographic area. To address this issue, HHSC provided grant funding in July 2024 to extend access to data tools and analyses for rural Prospective Payment System (PPS) hospitals in Texas through TORCH. Access to this valuable data resource was previously only available to CAHs through the federal Medicare Rural Hospital Flexibility (Flex) Program through the Texas State Office of Rural Health.

TORCH is the sole entity in Texas that created an analytic platform custom-built for rural Texas hospitals to access various data sets. These data sets include Market Share, Outmigration, Price and Profitability, and Opportunity Analysis using CMS Medicare Cost Report Data, Texas Health Care Information Collection hospital discharge data, and Environmental Systems Research Institute demographics data. These analytic resources allow hospitals to analyze various data points specific to a hospital, which provides hospital officials with information unavailable from another source. The financial indicators provide comparative information that hospital leaders can use to identify opportunities to improve their financial performance. Through this data analytic platform, rural hospitals can identify ways to improve their financial health by identifying service utilization opportunities within their geographic areas.

This data and its analysis had not been available to other types of rural hospitals without a cost because federal regulations and funding allow only CAHs to participate in the Flex Program. To access this valuable data, non-CAH rural hospitals would have had to pay for its access and analyses. With the grant funding provided by HHSC, TORCH can provide access to its data platform and resources for both CAHs and PPS facilities. Using this data is a major step forward in mapping

potential risk, identifying early warning signs that a hospital may be headed toward financial challenges, and improving a hospital's APM readiness.

## Operational Goal C: Augment communication and strengthen relationships between rural hospitals and HHS

To address the two last major issues identified by rural hospital stakeholders, RHFC aims to be the first point of contact for rural hospitals on HHS programs. The creation of this function allows HHSC to further invest in rural hospital assistance and support upcoming initiatives regarding rural policy. The activities completed through state fiscal year 2024 and planned for the future are outlined below.

### Addressing Stakeholders Priorities

RHFC plans to prioritize addressing key issues identified by stakeholders, including staff turnover and burnout, swing bed preservation and maximization, and urban partnership creation. To promote information sharing and identify opportunities to address these issues, HHSC plans to put these topics on the agenda to be discussed at regional meetings. HHSC will continue collaborating with stakeholders to identify opportunities to address these and other identified topics.

### Promoting "Front Door to HHS"

To maximize its utilization and effectiveness, RHFC plans to promote its "Front Door to HHS" initiative at regional meetings, on its website, and in subscription-based emails to stakeholders. RHFC also plans to collaborate with partners, including TORCH, to promote this new function and identify any refinement needed to ensure its continued helpfulness for Texas rural hospitals.

### RHAC Coordination

HHSC facilitates the RHAC. HHSC established RHAC as part of a strategy from the Plan to gather information from the public to inform future reports and initiatives. RHAC is a subcommittee of the Hospital Payment Advisory Committee (HPAC), which is a subcommittee of the Medical Care Advisory Committee (MCAC). MCAC is a federally mandated committee that reviews and makes recommendations to the state Medicaid director on proposed changes that involve Medicaid policy or affect Medicaid-funded programs.

Since RHFC has a permanent focus on rural hospitals and provides dedicated support for owners and operators of rural hospitals, RHFC assumed RHAC

coordination duties as of August 2024. RHFC plans to continue to work closely with RHAC to identify and address rural hospital needs and update the Plan accordingly.

## Internal and External Collaboration

In its work to support the CHART Model and establish RHFC, HHSC built relationships with community, state, and federal partners interested in supporting rural hospitals. These partners included CMS, the Federal Office of Rural Health (FORH), the National Rural Health Association (NRHA), TORCH, THA, the Episcopal Health Foundation (EHF), and the Texas State Office of Rural Health (SORH).

Due to Texas' high-quality CHART Model application, HHSC staff serve as a resource for and partner with CMS as they continue to work to identify future APMs that may have success with rural providers nationwide. With the assistance of TORCH, HHSC successfully recruited the most rural hospitals in the country to express interest in participating in the CHART Model. HHSC provided CMS with specific feedback regarding why no Texas hospitals opted into the Model. RHFC staff continue meeting with CMS periodically to provide input when requested.

HHSC was invited to attend the CMS Rural Health Hackathon on August 22, 2024, in Dallas. Three "hackathons" were held across the country. They are a series of invitation-only, in-person collaborative sessions designed to generate creative and actionable ideas to address rural health challenges. Through these solution-oriented events, the CMS Innovation Center brings together rural health community care providers, community organizations, industry and tech entrepreneurs, funders, policy experts, and Medicare and Medicaid clients to leverage the wisdom and experience of all parties. Hackathon attendees generate new ideas to address top challenges impacting health care in rural settings and drive action to improve clinical outcomes, increase access, and foster better care experiences for patients and providers in rural communities. CMS will issue a report of the top ideas generated during the Hackathon and distribute the report following the events.

In June 2024, RHFC attended the Rural Hospital Issues Group meetings held jointly by the FORH and NRHA to receive input from rural hospitals about certain issues likely to be discussed in the coming year by the U.S. Congress. RHFC continues to collaborate with TORCH, THA, and SORH by sharing information and soliciting feedback as appropriate on RHFC activities. For example, RHFC presented at the fall 2023 TORCH conference and solicited feedback from TORCH and THA on the Financial Stabilization and Maternal Care Operations grants.

EHF and HHSC continue to collaborate to find opportunities that help both organizations achieve goals to improve health care for rural Texans. In 2022, EHF contributed $1.0 million to assist HHSC in implementing the CHART Model in Texas. The funding was earmarked for rural hospitals to use for upfront transformation grants, individual technical assistance to assist with implementation, and a process evaluation of the Model's implementation in Texas. When the CHART Model abruptly ended, EHF repurposed a small amount of the funding for focus group research that provided HHSC with an awareness of rural hospitals' needs and priorities. RHFC staff used their feedback as a roadmap to launch its financial and technical assistance programs.

# 5. Conclusion

Title 4 Texas Government Code Section 531.201 requires HHSC to provide an update to the Plan implementation by November 1 in each even-numbered year. HHSC provides this progress report in accordance with these guidelines. This report includes status updates related to the strategies identified in the Plan and new strategies and goals identified in collaboration with rural hospital stakeholders. Future reports may include new strategies and goals to maintain hospital services in rural communities as they are identified. HHSC continues collaborating with the rural hospital community, related hospital associations, and other state agencies to provide continued consideration of potential difficulties impacting rural hospitals. For this report update, HHSC engaged rural hospital stakeholders such as RHAC and TORCH to solicit their feedback on the content of this report.

# List of Acronyms

| Acronym | Full Name |
|---|---|
| **ATLIS** | Aligning Technology by Linking Interoperable Systems for Client Health Outcomes Program |
| **APM** | Alternative Payment Models |
| **CAH** | Critical Access Hospital |
| **C.F.R** | Code of Federal Regulations |
| **CHART** | Community Health Access and Rural Transformation |
| **CHIRP** | Comprehensive Hospital Increase Reimbursement Program |
| **CMS** | Centers for Medicare & Medicaid Services |
| **CPA** | Comptroller of Public Accounts |
| **COVID-19** | Coronavirus 2019 Disease |
| **DPP** | Directed Payment Program |
| **DSH** | Disproportionate Share Hospitals Program |
| **EHF** | Episcopal Health Foundation |
| **FFY** | Federal Fiscal Year |
| **FLEX** | Medicare Rural Hospital Flexibility Program |
| **FORH** | Federal Office of Rural Health |
| **HHS** | Texas Health and Human Services |
| **HHSC** | Texas Health and Human Services Commission |
| **H.B.** | House Bill |
| **HICH** | High Impecunious Charge Hospital |
| **HPAC** | Hospital Payment Advisory Committee |

| | |
|---|---|
| **LSRH** | Limited Services Rural Hospital |
| **MCAC** | Medical Care Advisory Committee |
| **MCO** | Managed Care Organization |
| **MSA** | Metropolitan Statistical Area |
| **NRHA** | National Rural Health Association |
| **PPS** | Prospective Payment System |
| **RAPPS** | Rural Access to Primary and Preventative Services |
| **REH** | Rural Emergency Hospital |
| **RHAC** | Rural Hospital Advisory Committee |
| **RHC** | Rural Health Center |
| **RHFC** | Office of Rural Hospital Finance and Coordination |
| **RRC** | Rural Referral Center |
| **S.B.** | Senate Bill |
| **SDA** | Standard Dollar Amount |
| **SCH** | Sole Community Hospital |
| **SORH** | Texas State Office of Rural Health |
| **TAC** | Texas Administrative Code |
| **THA** | Texas Hospital Association |
| **TORCH** | Texas Organization of Rural and Community Hospitals |
| **UC** | Uncompensated Care |
| **U.S.** | United States |

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# Appendix A. Implementation Dashboard

| Strategy | Operational Goal | Anticipated Impact | Implementation Deadline | Status |
|---|---|---|---|---|
| **1. Ensure Medicaid reimbursements are adequate and appropriate** | **A.** Realignment of hospital rates to reflect current costs (Outpatient Services) | Increase appropriate hospital reimbursement according to their hospital-specific costs | September 1, 2023 | **Ongoing** |
| **1. Ensure Medicaid reimbursements are adequate and appropriate** | **B.** Standard Dollar Amount (SDA) Realignment (Inpatient Services) | Rates better reflect the cost of service provided by rural hospitals | September 1, 2023 | **Ongoing** |
| **1. Ensure Medicaid reimbursements are adequate and appropriate** | **C.** Updates for Rural Hospitals in Directed and Supplemental Payment Programs | Increased reimbursement opportunities | September 1, 2024 | **Ongoing** |
| **1. Ensure Medicaid reimbursements are adequate and appropriate** | **D.** Update the TAC Rule to reflect the usage of the latest 2020 Census data | The definition reflects current data | September 1, 2024 | **Complete** |
| **2. Increase access to established revenue opportunities to maximize reimbursement for hospitals** | **A.** Work with cross-agency staff to identify federal grant opportunities for rural hospital and healthcare providers | Increased communication from Texas state agencies regarding established funding opportunities | September 1, 2023 | **Ongoing** |
| **3. Identify challenges hospitals experience in providing services to persons covered by Medicare and other payers** | **A.** Analyze federal rules and regulations to identify barriers to rural hospital services | Provide information to determine if any federal flexibility can be sought to support Texas hospitals | September 1, 2023 | **Ongoing** |

| Strategy | Operational Goal | Anticipated Impact | Implementation Deadline | Status |
|---|---|---|---|---|
| **3. Identify challenges hospitals experience in providing services to persons covered by Medicare and other payers** | **B.** Analyze state regulatory requirements to determine if cost reductions can be achieved | HHSC remains current about rural hospital regulatory challenges and identifies opportunities for savings, if any | September 1, 2023 | **Ongoing**  |
| **3. Identify challenges hospitals experience in providing services to persons covered by Medicare and other payers** | **C.** Engage rural hospital community, related hospital associations, and other state agencies to identify challenges rural hospitals experience | HHSC remains current about rural hospital challenges and participates in formulating solutions with industry and stakeholders | September 1, 2025 | **Ongoing**  |
| **4. Utilize appropriations, when available, to stabilize rural with the least administrative burden** | **A.** Analyze options to utilize additional appropriations, when available, to stabilize hospitals | Improved operational and financial stability of rural hospitals | September 1, 2025 | **Ongoing**  |
| **5. Continue to build infrastructure to support rural hospitals** | **A.** Expand technical assistance functions | Improved operational and financial stability of rural hospitals | Perpetual | **Ongoing**  |
| **5. Continue to build infrastructure to support rural hospitals** | **B.** Create financial assistance opportunities for rural hospitals | Improved financial stability of rural hospitals | Perpetual | **Ongoing**  |
| **5. Continue to build infrastructure to support rural hospitals** | **C.** Augment communication and strengthen relationships between rural hospitals and HHS system | Reduction in the administrative burden on rural hospitals contacting HHSC | Perpetual | **Ongoing**  |