CRITICAL ACCESS HOSPITALS AND RURAL HEALTH TRANSFORMATION PROGRAM OPPORTUNITIES

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KEY POINTS:

- Title VII, Sec. 71401 of H.R. 1 (also known as the One Big Beautiful Bill Act) details the Rural Health Transformation Program (RHTP).1
- Arizona has 17 federally designated Critical Access Hospitals (AzCAHs).
- AzCAHs are important anchors in rural community in Arizona and are defined as one of the health facility types in the RHTP opportunity 1861(mm)(1).
- Of the 55 Rural Health Clinics (AzRHCs) in Arizona 32 (58%) are affiliated with an AzCAH

BACKGROUND

RHTP empowers states, who best understand their own communities, to collaborate with providers to determine the most effective use of funding. This approach equips rural providers with resources to stabilize their finances in the short term while enabling states to develop sustainable, long-term strategies for rural health improvement.[2]

WHAT ARE CRITICAL ACCESS HOSPITALS (CAHs)?

Congress established CAH designation criteria in the Balanced Budget Act of 1997 (Public Law 105-33) as a direct response to the closure of more than 400 rural hospitals during the 1980s and early 1990s.[3] CAHs have 25 inpatient beds or less, are 35 miles or more from other inpatient facilities, and provide 24/7 emergency care services. Inpatient admissions cannot exceed a 96-hour length of stay so these facilities must have contractual arrangements for transfer and services.[3]

CAH OWNERSHIP

Arizona has 17 federally certified CAHs in 10 counties, including two CAHs that are also Indian Health Service (IHS) facilities and three that are P.L. 638 (Tribal) facilities. Compared to CAHs nationwide, AzCAHs are more likely to be independent (65% vs. 53% U.S.), less likely to be owned by a larger system (18% vs. 31%) and more likely to be contract managed (18% vs. 16%).[4] Most AzCAHs extend their reach by operating affiliated Rural Health Clinics (RHCs) and/or collaborating with federally qualified health centers (FQHCs) and Tribal sites. Fourteen of the 17 (82%) AzCAHs operate 32 of 55 (59%) AzRHCs.[4] Such partnerships enhance access to care for rural populations.

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SYSTEM AFFILIATION, PAYER MIX, AND VOLUME:

AzCAHs face distinct financial challenges due to their lower patient volume and operate with lower operating margins compared to other acute care hospitals. Table 2 uses Arizona Hospital Discharge Data on the payer mix of the non-tribal AzCAHs (12 of the 17 facilities).

Table 1. System Affiliation of Arizona's 17 CAHs. [4]

System Affiliation	#CAHs
Non-profit, and/or district, community-based	5
Southern Arizona Health Alliance*	4
Public Law 93-638 self-determination	3
Indian Health Service	2
Owned by a nonprofit hospital system	2
Owned by a for-profit hospital sysem	1
AzCAH Total	**17**

Table 2. AzCAH Patient Payer Mix / Insurance Coverage.[5]

Payer	% Discharges
Medicaid	32.9
Private/commercial payer	30.1
Medicare	25.3
Other payer (e.g., Tricare	6.6
Self-pay (including uninsured)	5.1

*The Southern Arizona Health Alliance (SAHA) is a collaboration of seven nonprofit healthcare organizations, including four of the seven AzCAHs in Southern Arizona dedicated to delivering and expanding high-quality healthcare for all residents of the region.[6]

One federal CAH requirement is that they provide emergency services 24 hours a day, 7 days a week (24/7). Emergency department (ED) visits accounted for 94% of all discharges from non-tribal AzCAHs in 2024, compared to 76% for all non-CAH facilities.[5] This data underscores the critical role CAH facilities play in providing emergency care in their communities.

Table 3. AzCAH Volume Metrics.[4]

Volume Measure (Median Values by Volume Metric)	AzCAHs (n=17)	National Medians (U.S. CAHs, n=1,281)
Annual ED Visits	9,933	5,383
Average Daily Census	3.0	3.0
Swing Bed Admissions Volume	31.5	61.0
Swing Bed Average Length of Stay	10.0	11.0

CHALLENGES:

Many AzCAHs rely on non-operating revenue to maintain services and positive total margins, relying on state and federal funding support to stay open. In 2024, 17 AzCAHs reported their service lines in the Quality Inventory and Assessment.[4] As fiscal support diminishes, costly service lines may be discontinued, such as pediatric services (currently offered by only 65% of AzCAHs), OB/GYN (59%), labor and delivery (35%), dialysis services (24%), home health (12%), and behavioral health services of any kind (29%).[4]

OPPORTUNITIES:

Even in constrained circumstances, AzCAHs can improve efficiency and productivity and generate positive returns on these investments. These include upgrading infrastructure, enhancing care coordination (especially for continuity of care, emergency and primary care services), increasing swing bed utilization, strengthening quality reporting systems, and adopting advanced data-driven practices:

- Modernize Facilities and Equipment: upgrade aging infrastructure, invest in digital health solutions, adopt new technologies that improve patient monitoring, documentation, and telehealth capacity.
- Expand Service Lines: increase technological capacity to reach and serve patients, develop or enhance programs in obstetrics, behavioral health, outpatient surgery, and transitional and swing bed care, reduce unnecessary transfers and increase direct admissions.
- Improve Financial and Operational Efficiency: assure accurate cost allocations, regularly review provider compensation, refine revenue cycle processes such as bad debt management and point-of-service collections to improve financial performance. Review Charge Master and payor contracts to ensure competitive pricing and reimbursement.
- Develop Rural Health Workforce: expand recruitment, training, and retention initiatives. Participate in initiatives to expand primary care residencies, nursing and specialty provider training.
- Update, Upgrade Data Systems: integrate electronic health records, ambient artificial intelligence for note writing, clinical decision support, and real-time data analytics for quality improvement, metric reporting, benchmark performance, and drive evidence-based care improvements.
- Collaborative Community Health Initiatives: launch programs to address patient health, connect with partners, and build out mobile health, primary and preventive care, and outreach teams, tailoring care delivery to local needs.

APPROACH:

The information provided in this brief is AzCRH analysis of data sources available under a Data Use Agreement with the Arizona Department of Health Services and programmatic data from the Arizona Medicare Rural Hospital Flexibility Program, Funding Opportunity Number: HRSA-24-002 at the University of Arizona.

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