SOUTH DAKOTA DEPARTMENT OF HEALTH

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South Dakota Critical Access Hospital (CAH) Designation Guide

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South Dakota Medicare Rural Hospital Flexibility Program (SD Flex)

Congress established the Medicare Rural Hospital Flexibility Program in 1997. In 1999 the Health Resources and Services Administration (HRSA), Federal Office of Rural Health Policy (FORHP) provided funds to the South Dakota Department of Health, Office of Rural Health to establish the South Dakota Rural Hospital Flexibility Program (SD Flex). The Flex Program provides technical assistance and information resources for Critical Access Hospitals (CAHs) and hospital-based rural health clinics (RHCs). As of March 2023, 40 hospitals are designated as CAHs in South Dakota. As of July 2023, there were 1,360 CAHs located throughout the United States (https://www.ruralhealthinfo.org/states/united-states). All Flex programs are required to organize efforts around four core areas:

- ***Quality Improvement:*** Support efforts to improve and sustain the quality of care provided by CAHs (i.e., quality measurement, reporting, benchmarking, and building quality and patient safety improvement systems).
- ***Operational and Financial Improvement:*** Support efforts to improve CAH financial and operational performance improvement (i.e., identifying potential areas of need and planning and implementing evidence-based strategies).
- ***Health System Development and Community Engagement:*** Support efforts to assist CAHs in developing collaborative regional or local systems of care, addressing community needs and integrating EMS in those regional and local systems of care. CAHs can only be viable by meeting the needs of their communities.
- ***Conversion of Small Rural Hospitals to CAH Status:*** Facilitate appropriate conversion of small rural hospitals to critical access status. Flex programs must also assist hospitals in evaluating the effects of conversion to critical access status.

Critical Access Hospital (CAH) Designation Criteria

Small rural hospitals must meet the following criteria to be eligible for CAH status:

1. Have the characteristics noted in the 42 Code of Federal Regulations (CFR), Subpart F, Conditions of Participation: Critical Access Hospitals (https://www.govinfo.gov/app/details/CFR-2011-title42-vol5/CFR-2011-title42-vol5-part485-subpartF);
2. Can be a public, not-for-profit, or for-profit hospital and should be, at the time of the application, licensed as an applicable general acute care hospital in accordance with South Dakota rule Chapter 44:75:01 Rules of general applicability (https://sdlegislature.gov/Rules/Administrative/35627). Perspective CAHs must first be certified and enrolled as a hospital and then may seek conversion to CAH status;

3. Should have a provider agreement to participate in the Medicare program as a hospital at the time it applies for designation;
4. Should be capable of providing emergency care necessary to meet the needs of its inpatients and outpatients;
5. Should contain all necessary equipment and medical items;
6. Should maintain no more than 25 acute care beds and also may have 10 distinct rehabilitation beds or 10 psychiatric beds (reimbursement for the distinct beds is based on a prospective payment method);
7. Should provide acute inpatient care for a period that does not exceed, on an annual average basis, 96 hours per patient; and
8. Should be located in a rural area (see Table 1), typically, must be located more than 35 miles (or, in the case of mountainous terrain or in areas with only secondary roads available, more than 15 miles) from a hospital or another CAH (see Table 2).

Table 1. Urban and Rural Definitions

Area	Definition
Urban	The Census Bureau's urban areas represent densely developed territory, and encompass residential, commercial, and other non-residential urban land uses. The Census Bureau delineates urban areas after each decennial census by applying specified criteria to decennial census and other data. The Census Bureau identifies two types of urban areas: • Urbanized Areas (UAs) of 50,000 or more people. • Urban Clusters (UCs) of at least 2,500 and less than 50,000 people.
Rural	"Rural" as defined by The Census Bureau encompasses all population, housing, and territory NOT included within an urban area.

Source: https://www.census.gov/programs-surveys/geography/guidance/geo-areas/urban-rural.html. (August 2023)

Table 2. Distance Factors

Facility Type	Location	Population Served	Distance Factor
Tribal 638 or HIS	Federal reservation	Indian population only	Hospital **does not** have to be located more than 35 miles from another hospital or CAH. (Only required for IHS CAH)
2 Hospitals or 2 CAHs	Federal reservation	Indian population only	Hospitals need to be at least 35 miles from another hospital or CAH.
Hospital affiliated with IHS	Not on federal reservation	Indian population only	Hospital **does not** have to be located more than 35 miles from another hospital or CAH.

Hospital not affiliated with IHS	Not on federal reservation	Other population	Hospital needs to be at least 35 miles from another hospital or CAH.
*Private Tribally managed hospital not affiliated with IHS	Federal reservation	Indian population only	Hospital needs to be at least 35 miles from another hospital or CAH.

*See definition page

Distance requirements for designation include an exception for mountainous terrain. Many geographic regions include foothills and mountains that are not considered mountainous terrain by the Centers for Medicare and Medicaid Services (CMS) for CAH designation purposes. Foothills and eroded mountains may not have the fundamental characteristics of mountainous terrain. Being located at the foot of a mountain or being able to view mountains from the CAH does not mean the CAH is located in "mountainous terrain." Slope and ruggedness, together with absolute altitude, determine the fundamental characteristics of mountainous terrain (see Table 3).

A CAH meets the 15-mile secondary road distance requirement when it is located less than 35, but more than 15 miles from a hospital or another CAH AND at least one section of the shortest route to the nearest hospital or CAH consists of more than 15 miles of continuous uninterrupted secondary roads (see Table 4). Travel distance is measured using driving distance on the shortest possible route on federal, state, or local roads. The distance requirement is not limited to the State boundaries; it applies to ANY hospital or CAH, regardless of state boundary.

Table 3. Mountainous Terrain

CAH Location	The CAH must be located in a mountain range. The CAH, or portions of the road to the nearest hospital or CAH, must be located at an elevation above 3,000 feet and the travel route is regularly or seasonally subjected to weather-related hazardous driving conditions, such as poor visibility, slippery roads, or snow-covered roads resulting in slow driving speeds, required use of snow chains, or road closures. (Being located at a high elevation, in and of itself, does not constitute "mountainous terrain.").
Road Characteristics	The roads on the travel route must be considered a mountainous terrain by the State Department of Transportation. The travel roads consist of extensive sections of roads with grades greater than 5 percent, and/or consist of continuous abrupt and frequent changes in elevation or direction. (These roads typically have frequent areas of low-speed limits (15-25 mph) and warning signs denoting sharp curves and steep grades
Speed Limits	The safe speed limit on the travel route to the nearest hospital/CAH is less than 45 mph. When calculating the mountainous terrain travel distance to the nearest hospital/ CAH, subtract the total of the distances represented by those sections of the travel route that are not considered "mountainous terrain." Sections of the travel route of at least 1 mile in length, where the safe driving speed limit is 45 mph or greater, do not count toward the 15-mile mountainous terrain distance.

Road Grade	Sections of the travel route at least one mile in length, where the roads on the travel route have grades less than 5 percent and/or do not have frequent, abrupt changes in direction or elevation are not considered mountainous terrain and do not count toward the 15-mile mountainous terrain distance.

Table 4. Federal Definitions of Roads

Road	Definition
Primary Road	A primary road is an interstate highway, a U.S. highway, an expressway, an intrastate highway, a State-divided highway with two or more lanes each way, or any road with at least two contiguous miles with a speed limit of 45 mph or greater.
Secondary Road	A secondary road is any state or local road, paved or unpaved, that does not meet the definition of "primary road."

Application Process

Applications for CAH status can be submitted at any time, there is no deadline. The following steps describe the process:

Step One: Submit a "Notice of Intent" letter signed by the rural facility hospital administrator seeking to convert to CAH status to:

South Dakota Department of Health
Office of Rural Health
600 East Capitol Avenue
Pierre, SD 57501

SD Flex staff will forward a copy of the letter to the South Dakota Department of Health, Office of Health Facilities Licensure & Certification.

Step Two: Reach out to the Medicare Administrative Contractor for your state to see if a CMS-855 needs to be submitted. To find your CMS Regional Office Rural Health you can check their website.

Refer to the CMS State of Operations Manual – Chapter 2: The Certification Process. You can view it here: https://www.cms.gov/regulations-and-guidance/guidance/manuals/internet-only-manuals-ioms-items/cms1201984.

To view the CMS policy regarding survey and certification go to the State Operations Manual: Appendix W – Survey Protocols, Regulations and Interpretive Guidelines for Critical Access Hospitals (CAHs) and Swing-Beds in CAHs (https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/downloads/som107ap_w_cah.pdf).

Step Three: Complete the required financial feasibility analysis. This analysis is necessary to ensure that hospital administration has correctly assessed the financial impact of conversion to a CAH, based on the facility's payer mix and financial standing. The assessment should include evidence that the hospital's conversion is consistent with its own Mission Statement and Bylaws including assessment of:

a. The probable reduction in inpatient utilization resulting from service limitations (i.e., acute beds and average length of stay);

b. The effect the probable decline in inpatient utilization would have on facility revenue and cost; and
c. The impact on facility profitability of converting from prospective payment for inpatient and outpatient services to cost-based reimbursement for Medicare and Medicaid.

If an eligible hospital needs financial assistance with the analysis, the CEO should submit a letter of request to the Office of Rural Health. Upon receipt of the letter, and as funding permits, the SD Flex program will work with the applicant hospital to contract with a third party to work directly with the applicant hospital. Applicant hospitals are required to send a copy of the report(s) to the SD Flex.

Step Four: Review the Application Completion Checklist for what may be required as part of the application packet (see Appendix 1).

Step Five: Collaborating with your Department of Health Office of Health Facilities Licensure & Certification is required for a smooth application process.

Step Six: Centers for Medicare and Medicaid Services (CMS) will make the final determination regarding designation. CMS will issue an approval letter, notifying the Medicare Fiscal Intermediary, the South Dakota Department of Health, Office of Health Facilities Licensure & Certification, and the applicant facility. A new provider number will be issued to the hospital. The hospital will be given a choice of an implementation date within an appropriate time frame based on the application date. The hospital representative should be prepared to suggest that the designation date take effect in a manner that synchronizes with cost reporting periods. It is recommended that the designation effect date avoid split billing periods.

Technical Assistance (TA)

Flex staff can provide TA, or provide direction to contractors to assist in developing the application for many areas, including:

- Financial feasibility analysis;
- Development of a Rural Health Network with referral hospital(s) and emergency medical services; and
- Community education support.

Other entities can also provide technical assistance. Applicants are encouraged to use multiple sources of expertise in preparing the application (see Table 5).

Table 5. Technical Assistance and Contact Information

Technical Assistance	Flex Contacts	Other Resources
General Questions	Michelle Hoffman 605/295-3065 Michelle.Hoffman@state.sd.us	**National Rural Health Resource Ctr.** http://www.ruralcenter.org/tasc **Rural Health Information Hub (RHIhub)** https://www.ruralhealthinfo.org/ **Flex Monitoring Team** http://www.Flexmonitoring.org

Financial Feasibility: Assess impact of conversion; identify personnel/bed needs; compare effect of conversion on inpatient/outpatient; and identifying potential outlier to 96-hour average	Michelle Hoffman 605/295-3065 Michelle.Hoffman@state.sd.us	Hospitals may contact an accountant firm directly if financial support from SD Flex is not available
Community Support: Educate hospital staff and board and facilitate community meetings	Michelle Hoffman 605/295-3065 Michelle.Hoffman@state.sd.us	Reach out to your state community engagement advocate
Application Requirements: Complete application; State/CMS Medicare Survey; and develop Rural Health Network	Jean Koch 605/995-8985 Jean.Koch@state.sd.us	SD Department of Health, Division of Health Facilities Licensure & Certification
Emergency Medical Services	Marty Link 605/367-5372 Marty.Link@state.sd.us	SD Department of Health Emergency Medical Systems
Tribal/IHS: All of the types of assistance stated above	Michelle Hoffman 605/295-3065 Michelle.Hoffman@state.sd.us	IHS Office of Resource Access and Partnerships https://www.ihs.gov/IHM/org/orap-oddn/
Medicaid Services	Michelle Hoffman 605/295-3065 Michelle.Hoffman@state.sd.us	SD Medicaid Provider Information https://dss.sd.gov/medicaid/

Appendix 1
Critical Access Hospital Designation
Application Checklist

Completed (√)	Item
☐	1. Fill in all blanks on the CAH Application.
☐	2. Completed application signed by authorized representatives (President/Board of Directors and Hospital or Chief Executive Officer).
☐	3. Copy of Intent letter sent to notify SD Office of Rural Health of the Hospital's intent to convert to CAH status.
☐	4. Hospital documentation (i.e. Articles of Incorporation).
☐	5. Copy of hospital license.
☐	6. Copy of the unabridged financial feasibility analysis by the hospital CFO and/or consultant that determines the fiscal benefit of CAH designation.
☐	7. Minutes from "town meeting" or other community function organized by the hospital and/or governing board members to explain the concept of Critical Access Hospital designation, and how CAH designation would affect hospital operations, personnel, and services.
☐	8. Community needs assessment.
☐	9. List of hospital governing board members, addresses, and phone numbers.
☐	10. Letter from hospital governing board plus meeting minutes where facility's intent to seek designation as a Critical Access Hospital was approved.
☐	11. Letter from Regional EMS Council supporting the Hospital's request for CAH conversion.
☐	12. EMS Plan describing how emergency services will be provided at the Critical Access Hospital.
☐	13. Copy of hospital policies and procedures regarding patient transfers.

☐ 14. Memorandum of Understanding, or other final document that identifies the Rural Health Network, including at least one other hospital and an EMS provider.

☐ 15. Hospital's patient referral and transfer agreement with rural health network partner/s.

☐ 16. Agreement with network partner/s for the electronic sharing of patient data and medical records.

☐ 17. Agreement with network partner/s addressing emergency/non-emergency transport.

☐ 18. Agreement with network partner/s addressing credentialing and quality assurance.

☐ 19. Completed Federal and State Forms on-line at http://www.cms.hhs.gov/CMSForms:

- □ CMS 855A
- □ CMS 1537C (only required if hospitals want swing beds)
- □ CMS 1561

Office of Civil Rights:

- □ Medicare Certification Civil Rights Information Request Form
- □ HHS 690 – Assurance of Compliance