

An REH Conversion Story: Mercy Hospital

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Name:

Mercy Hospital

Location:

Moundridge, Kansas

Provider-Type:

REH (former PPS)

Population

2,000

Disposition:

Conversion to a Rural Emergency Hospital (REH) occurred in 2023. The hospital is currently seeing positive cashflow. A walk-in clinic has been opened and the hospital is providing 24/7 emergency medical care, laboratory testing, physical therapy, radiology, outpatient surgery, and other outpatient services.

Summary:

Aaron Herbel, CEO of Mercy Hospital shares his experience in assessing and converting to an REH. He details how he was able to leverage utilization and financial data to determine if REH could be a viable option. Herbel shares of the thorough stakeholder engagement activities that occurred, and positive impact of transparent communication supported by data. Herbel also highlights the benefits he has seen the transition produce, including positive cash flow.

Conversion Timeline:



Mercy Hospital's Story:

Mercy Hospital, a former PPS hospital, converted to a Rural Emergency Hospital in 2023. At the time of conversion, Mercy was the second hospital in Kansas to move to the REH model since the federal designation was created in 2021 and state regulations were finalized in 2023. The hospital is located in Moundridge, Kansas, a town with a population of 2,000 people. Conversations began years ago with the Kansas Hospital Association and close attention was made to what was coming out of Washington and what model or hospital designation would work best for the community. Aaron Herbel, The Rural Emergency Hospital Technical Assistance Center is supported by the Federal Office of Rural Health Policy, Health Resources and Services Administration, US Department of Health and Human Services, Grant #UR347053. The contents are those of the author(s) and do not necessarily represent the official views of, nor an endorsement by, HRSA, HHS, or the U.S. Government. For more information, please visit HRSA.gov.

CEO of Mercy Hospital began bringing the information to the lender, board, and medical staff about what the numbers were saying about Mercy Hospital. The data showed a decline in overall utilization of inpatient services.

In 2017, inpatient care provided 65% of the hospital inpatient net revenue. Last year, acute inpatient care only provided 34% of the net inpatient revenue. Herbel started showing the numbers to the community foundation and medical staff from a business perspective. Emergency room visits had increased while the inpatient case mix index was steadily declining. This impacted average payments from Medicare which they are dependent upon, being an elderly community. The average age in Moundridge is 44 years, 10 years older than the Kansas statewide average. Herbel explained, “We also saw a shift from traditional Medicare to the Medicare Advantage Plans and that had eaten into our margins also because we participated in some programs like the low-volume adjustment that provides a 25% add on payment from Medicare for our DRGs, but we only get that if the patient is on traditional Medicare.” The first year Herbel was at Mercy, they received over \$250,000 annually from the low-volume adjustment reimbursement and the last year of being a PPS hospital, they received only \$95,000 while still providing the same services.

Herbel started to use the data and spoke with the board, medical staff and other stakeholders who were invested in the hospital. He also met with the Patient and Family Advisory Council to get feedback from well-connected people who had been patients in the hospital before and had lived in the community their entire lives. He knew it was crucial to ask the hard questions of his staff and the community. This intentional effort to solicit stakeholder input was a key contributor to the administration and hospital board making the strategic move to convert to an REH as a way to provide financial stability and ensure a continued presence in the community. “Making the conversation not so much about what the community was losing, but what they were keeping made it a positive,” according to Herbel.

For the past year and a half, the hospital had been working on offering a walk-in clinic for patients to see a mid-level provider. They timed the opening of the clinic with the REH conversion to show the community that in addition to the services that were not changing, they could now utilize the clinic in the evenings and on Saturdays. Under the new designation, the hospital will provide 24/7 emergency medical care, laboratory testing, physical therapy, radiology, outpatient surgery, and other outpatient services. The REH payment along with these post-conversion activities is producing \$150,000 in positive cash flow for the hospital, compared to prior years.

Herbel stated, “There is absolutely going to be a need for healthcare services in rural communities and it’s not reasonable to expect people to drive an hour and a half one way for primary care or emergency services. There is evidence that when emergency services are discontinued in a rural community that the mortality rate goes up by 6%, you’re talking about life and death.”

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Get Support:

Mercy Hospital is just one of the many hospitals the RHRC and its partners have supported through the REH Technical Assistance Center. From education, to assessment, through conversion and beyond, we have resources to help along every step of the way.

Accessible Forums:

- Peer-to-peer learning
- Educational Sessions
- 1:1 Support & coaching
- Onsite and in-person sessions

Topics:

- Compliance and regulations
- Financial modeling
- Stakeholder engagement
- Strategic Transition planning and more

This support is available at no cost to hospitals. To learn more about our REH assessment process and post-conversion REH Network, visit our [website](#) or contact REHSupport@hrco.org.

Disclaimer:

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