



Keokuk Area Hospital

Date: November 11, 2015

**Contact: Amy E. Conlee, Director of Marketing & Business Development,
319-526-8762, aconlee@keokukhospital.org**

To Be Released: Immediately

A Statement from Duane J. Fitch, President, Fitch Healthcare

Keokuk Area Hospital has been the subject of several newspaper and TV news reports over the past week or so. Some of these reports have contained factual errors and misleading comments. The primary subject matter of these stories is the denial of our request to appear before the Lee County Board of Supervisors to request their financial participation in a Federal Government reimbursement program that will benefit the hospital. This is the third consecutive year that KAH has been eligible to participate in the program and the Board of Supervisors approved our request each of the past two years. Last year, we were approved by a 4-1 vote with Ron Fedler casting the only “no” vote. This year, as the Chairman, Mr. Fedler has complete discretion over the items placed on the Board agenda and he has refused our requests to present to the Board.

He has even taken the extraordinary step of publicly declaring what the vote would be in the event we were allowed to present. According to Mr. Fedler, the Supervisors would vote down our request by a vote of 3-2. He has used his own prediction of the outcome of the vote as a reason for not granting us the opportunity to present to the entire Board of Supervisors.

In July, 2015, we invited Mr. Fedler to Keokuk Area Hospital to meet with our management team and to update him on our new programs, services, and other relevant items. We wanted him to have the opportunity to learn more about the hospital, the patients we serve, and to bring him up to speed on our legislative efforts to enhance our reimbursement structure moving forward. He declined our invitation stating that he already knew what he needs to know about KAH. We were disappointed as we saw this as an opportunity to engage Mr. Fedler in the realities of our hospital.

It is important to note that Keokuk Area Hospital is very appreciative of the \$100,000 of funding provided in each of the past two years by Lee County. It is our view that this program is a “win/win” as it attracts \$300,000 of new incremental federal dollars into Lee

County each year that would otherwise be unavailable. KAH is a proud member of Lee County and we have employees, patients, volunteers, physicians, and other stakeholders spread throughout the entire County. The Hospital incurs over \$5,000,000 per year of Community Benefit type expenditures, the vast majority of these expenditures is from providing free or subsidized care to the residents of Lee County. We are an important provider of healthcare services to County residents and we are simply requesting an opportunity to be heard by the entire Board of Supervisors and not to be blocked by a single individual.

We have great respect for the Lee County Board of Supervisors and the important role that they serve in the community. If after active listening to our presentation and thoughtful and objective deliberation around our request, the Board as a unit declines our request, we will respect this outcome.

Here are the facts about the Federal Program and other relevant matters:

1. KAH has not asked for nor received any “bailouts” from Lee County. This is a grossly inaccurate characterization of the request. Based on reimbursement rules established by the Federal Government, Keokuk Area Hospital is eligible to participate in the Rural Hospital Disproportionate Share Pool. Other hospitals in the State are also eligible to participate. Based on communications received from the Iowa Department of Human Services, it is our best information that Fort Madison Community Hospital is also eligible to participate in this program and has been eligible since inception.

One of the requirements of the program is that the City and/or County provide the “non-federal share funds from tax proceeds” which are then subject to a matching formula and the total is provided to KAH as supplemental reimbursement for serving Medicare patients. The requirement that the funds are provided by the City and/or County is a component of the legislation, it is not unique to Keokuk Area Hospital or Lee County.

For each of the past two years, both Lee County and the City of Keokuk have remitted approximately \$100,000 each which resulted in a total supplemental payment to Keokuk Area Hospital of approximately \$500,000 each year after the federal match. These dollars help offset the gap between actual reimbursement received and the costs incurred to provide healthcare services to Medicare and Medicaid patients. This gap, even after consideration of the \$500,000, was approximately \$3,000,000 in FY 2013.

It is our view that this program is a “win/win” as it attracts \$300,000 per year of new incremental federal dollars into Lee County that would otherwise be unavailable. These are very important dollars that should not be “left on the table”.

In short, this program was established by the Federal Government to help close the Medicare reimbursement gap for rural health providers that meet certain criteria, like KAH and other rural hospitals that do not have Critical Access Hospital status. We believe that we are obligated to participate in this program as it is a critical component of our overall reimbursement structure. Note that this is just one of several Federal reimbursement programs that the hospital participates in routinely on an annual basis – it is a routine and necessary practice to access all programs available that help to fund our mission.

2. Mr. Fedler indicated to the press that he was “surprised” by my phone call (in August) requesting space on the Board of Supervisors agenda this year. My phone call to him was not really requesting space on the agenda as the hospital administrative team had previously gone through formal channels to make the request. My phone call came after the hospital received a notification from the Lee County Auditor related to our request indicating that “Mr. Fedler’s response (to your request) is to inform you that he will not be placing this matter on the agenda”. My phone call was more to ask him why he unilaterally denied our request. Contrary to his claims, the hospital was very clear with the Lee County Board of Supervisors during our public presentation last year that we would request their participation in each year that the hospital continued to qualify for the Rural Hospital Disproportionate Share Pool program. Any suggestions to the contrary are inaccurate.
3. During my conversation with Mr. Fedler in August, 2015 he said that “Keokuk Area Hospital is a private business and sometimes private businesses fail”.

KAH is a tax-exempt 501c3 charitable organization. It is not a private business in any traditional sense. The top 3 payers (Medicare, Medicare, and Wellmark) all dictate the rates that the hospital will be paid for services, unlike a private business. Due to provider shortages (nurses, lab techs, pharmacists and pharmacy techs, physicians, mid-level providers), the hospital’s cost structure is subject to large increases that cannot be recaptured by raising prices, unlike a private business.

For FY 2014 and FY 2013 combined, Keokuk Area Hospital provided over \$8,500,000 in unfunded Community Benefit according to the reports issued by the Iowa Hospital Association. These benefits were primarily to residents of Lee County. A private business would not provide this level of unfunded services.

KAH provides services to all patients regardless of ability to pay, unlike any business. To compare Keokuk Area Hospital to a private business shows a dangerous lack of understanding of how not-for-profit hospitals work and their value to a community.

This comment and thought process is extremely harmful to the residents of Keokuk and to Lee County as a whole. It completely ignores the hospital's role in the overall healthcare climate of Lee County and its overall economic impact. It also is insensitive to the dangerous gap that would be present if the hospital was not available to the residents of Keokuk and surrounding communities. Almost 60% of trauma deaths in the United States occur in rural areas where only 15% of the population lives and the biggest single determinate between life and death in many cases is the availability of an Emergency Room. Lee County needs Keokuk Area Hospital and vice versa. The hospital serves approximately 12,000 patients per year in our Emergency Department providing essential care in critical situations. The majority of these patients are Lee County residents and many of them have no ability to pay the hospital for the services rendered to them.

4. In response to Mr. Fedler's published newspaper comment that "if things are great, why do you need another \$100,000"?

While true that the hospital had a positive net income in FY 2014 for the first time since FY 2009, this statement again reflects a complete lack of understanding of how hospitals work. Simply put, the hospital's positive bottom line for FY 2014 was \$496,662 and the proceeds from this program were \$500,000 so without the program the hospital would not have been profitable. In addition, the hospital received approximately \$1,500,000 in meaningful use incentive payments for successfully implementing electronic health records throughout the hospital which contributed greatly to the net income in FY 2014. This is not a recurring payment stream and therefore the ongoing gap between what it costs the hospital to serve Medicare and Medicaid payments and what we receive in payments is still a critical issue to resolve. We would have welcomed the opportunity to share these facts with Mr. Fedler if he would have accepted our July invitation to meet with hospital administration.

The hospital also needs to generate a positive margin on a consistent basis to invest in the latest clinical equipment, update its facilities, and to recruit and retain clinical, operational, and financial talent. Hospitals that do not generate appropriate margins fall behind their peer group and competing healthcare systems take aggressive steps to attract the funded patients from their service area. This creates additional hardship and the cycle of financial vulnerability gets worse to the point of insolvency. Hospitals that don't maximize their reimbursements through available mechanisms are not serving themselves or their communities very well.

Since 2010, 55 rural hospitals around the United States have closed. An additional 283 are currently at the risk of closure based on their financial metrics. Rural hospitals are at a crises stage across the United States and we cannot afford to take a cavalier, dismissive or passive attitude toward their ongoing sustainability. For every closure, there is a community left with a tremendous gap in the health care safety net and significantly increased economic hardship as hospitals are traditionally one of the largest economic engines in any community. It is our desire to partner with Lee County to ensure the best possible outcome for KAH. The stakes are high both in terms of ongoing availability of local healthcare services and in terms of economic impact. KAH generates over \$20,000,000 annually of economic impact to the State of Iowa with a great concentration in Lee County. This level of economic impact is vital and irreplaceable and is worthy of investment to protect.

KAH is an exciting and vibrant healthcare provider. We have expanded services and improved satisfaction levels in almost every domain. We opened a new after-hours Prompt Care facility which has seen over 2,000 patients since February. We are led by a dedicated and diligent Board of Directors and our turnaround journey has been led by tireless effort from our medical staff, employees, volunteers, auxiliary, foundation, and the entire Keokuk and surrounding communities. We are grateful for their contributions and we are dedicated to doing everything possible to preserve and enhance the vital mission of Keokuk Area Hospital.

We are encouraged by the sponsorship of the REACH Act by Senator Grassley and co-sponsored by Senator Ernst. We believe that this legislation will be critical to our future. We are thrilled and humbled by the support of Governor Branstad and his office who have become extremely vested in our journey. Mr. Fedler's comment that "if I thought \$100,000 would help that hospital, I would support it" displays a lack of knowledge and a great disrespect for the efforts of all of the stakeholders that have contributed mightily to the effort.

Although much progress has been made, until a solution is put forward to address the ongoing funding gap, we will remain vulnerable like so many other rural hospitals in the Midwest. We need to partner with all constituencies, including the Lee County Board of Supervisors, to access all available resources to bridge the gap until a permanent solution can be put in place. Our financial profile has improved dramatically over the past two fiscal years; however, the ongoing and substantial discrepancy between reimbursement levels and resources invested to provide services needs to be closed through legislative intervention to take the hospital to the next level. Once that happens, perhaps the Rural Hospital Disproportionate Share Pool program will be retired but until then, it is a necessary component of our reimbursement structure.

We would like to be afforded the opportunity to make our request to the Lee County Board of Supervisors. It is troubling to us that Mr. Fedler has already publically declared what the outcome of the vote would be if we presented. We hope and expect that each Supervisor will be open minded to learning more about the hospital and that they will make up their own mind after listening to our request.