
Affording the Robot...

How can you not afford it?

Rural medicine faces great challenges as it is difficult to provide a variety of high quality healthcare services when local volumes are low since specialists and other providers must travel greater distances to the local rural population.

My experience in rural healthcare began in 2007 after leaving Shawnee Mission Medical Center as the Systems Strategist to become the CFO at Fredonia Regional Hospital, in Fredonia KS. Since then, I have taken a position as CEO at Hamilton County Hospital. I have a passion for rural healthcare and I have a clear understanding of how costs flow through the Medicare cost report. I have been the CEO/CFO of both rural PPS and CAH hospitals and have deployed telemedicine in both settings.



Rural settings pose unique challenges for staffing. Finding qualified IT people for the hospital is especially difficult not to mention the fact that trying to staff an IT department for 24/7 coverage is cost prohibitive. InTouch Health removes those barriers by providing 24/7 monitoring of the robot, contacting the hospital if the robot goes offline. When our internet provider has lost service for a moment we usually realize it by the phone call we receive from InTouch. When the InTouch robot experiences fluctuations in the local bandwidth, it automatically adjusts its settings giving the doctor the most bandwidth for the best image of the patient. Training staff to use the InTouch robot is simple. Our staff had apprehension at first, wondering what they needed to do to prepare the robot for use. They were amazed to learn that all they needed to do was wheel the robot into the room and the doctor would do the rest (we use an RP-Lite®, otherwise the doctor would drive the robot into the room). Doctors were impressed that they connect with a mere click of a button on their computer and then just point and click to move the device.

InTouch also gives you the capability to run an EKG or a sonogram directly through the robot to the doctor in real time. The InTouch robot also gives you the flexibility to move from one clinic room to another just like the provider would do in person in a clinic setting. It also has a more lifelike patient interaction rather than sitting in a telemedicine room trying to position the patient just right for the telemedicine session. One robot also covers a myriad of uses as it can be quickly moved down the hall from a clinic room to the ER in case of an emergency.

Financing for Telemedicine is pretty straight forward for a Critical Access Hospital (CAH) as they have cost based reimbursement for Medicare. At Hamilton County Hospital we use the telemedicine robot in our emergency room as well as in our rural health clinic (RHC); which also has cost based reimbursement for the Medicare patients.

We have opted not to purchase the robot outright as that would use cash up front and would mean only our depreciable costs would flow through the cost report over an estimated useful life of five years. I prefer a closer matching of cash expenditures with the revenue and so instead, we have set up an operating lease over three years. This means that our lease payment for the year is completely counted into our allowable costs on the cost report (since it is not a capitalized lease).

How much will the Robot cost?

For example, if you assumed your patient mix stayed the same (and we will assume we have a 60% Medicare mix in the hospital ER), and patient volumes were held constant and the only increase in cost was this robot (at a monthly operating lease of \$3,000.00 per month...\$36,000 year) then your next year's Medicare reimbursement would go up by \$21,600 (60% Medicare patients X \$36,000 allowable cost=\$21,600). This would mean that if you never saw an additional patient, your absolute cost of the robot would be \$14,400 (\$36,000-\$21,600) per year or \$1,200 per month. Of course this all depends on your Medicare mix, because a 75% Medicare mix means that your worst case scenario cost of the robot would be \$750 per month (75% X \$36,000=\$27,000...=\$9,000 uncovered costs/12 months=\$750/month). Again the worst case scenario is you need to be able to cash flow the robot for 6 months before filing an interim cost report to recoup your increased cost to provide services. In the world of critical access hospitals, it is all about being able to cash flow through your next cost report.

That scenario was the worst case scenario because it assumed no utilization of the robot. The fact is that if you use the robot in your ER and hospital you have a greater chance of providing local service to your community rather than stabilizing and shipping a patient. If you have one patient per month stay in your facility that otherwise may have been shipped out, you have more than paid for the robot that month. This assumes that your per diem rate is more than \$601 per day (remember there are no more one day inpatient stays, so the patient would be at least 2 days at \$601/day or \$1,202, meeting InterQual® criteria for admissions of course). Most likely your per diem is \$1,500 per day which would mean that you made money on the robot.



It is unrealistic to think that your volumes will never change, because the robot generates a lot of interest in your hospital and clinics. It provides opportunities for specialists to see your patients whereas before, you did not have enough volume to justify the traditional outreach clinic. Once they start coming to see the specialists, your ancillary business increases through labs and imaging services. Once you start to increase access to the specialists, people start to think in terms of doctoring in town versus the larger cities nearby.

How Are Costs for Telemedicine Doctors Handled in the Cost Report?

Contracts for telemedicine providers can appear in many shapes and forms; they can be flat monthly fees, pay as you go fees, pay for blocks of time, all of which the hospital would bill for services, or the remote doctor can bill for the services and the hospital would bill a hosting site charge. As a general overview, when services are performed in the hospital (outside of the ER) and the hospital bills for those services, then the cost of the telemedicine doctors are carved out from the allowable costs on the cost report. For ER telemedicine services, those costs are allowed on the cost report, just as your ER physician costs are allowed. When creating your telemedicine physician contracts always consult with your cost report preparation firm for the reimbursement implications.

While the cost for telemedicine doctors in the hospital outpatient setting (Clinic- cost report line number 90) may be carved out in the hospital cost report (dependent upon the type of contract arrangement, i.e. who is billing for the service), they are allowable in a Rural Health Clinic department (RHC- cost report line number 88) on the cost report. In a Rural Health Clinic, the Medicare reimbursement is based upon a reasonable cost formula and the Medicaid reimbursement is based on a modified cost based formula both of which allow for the cost of the Telemedicine Doctor.

It is for these reasons that we use the robot in our RHC for primary care visits, dermatology visits and many other specialties. Our telemedicine costs are factored into our cost based reimbursement for Medicare and Medicaid patients and it is important to remember that for a hospital based RHC the Medicare reimbursement is not capped, like it is for non-hospital based rural health clinics.

Does the Robot Work?

At Hamilton County Hospital we are using the robot in the ER as well as the clinic. We have Stroke/Neurology for ER and are looking to utilize the robot for critical care. We have started new service lines like Dermatology (which already is booked solid through April with only 2 weekly ads run in our newspaper). We have created access to several lines of pediatric specialists so patients don't have to drive 8 hours to see a pediatric endocrinologist or other specialist. We are even looking to offer some OB services for patients in their first trimester with the robot. Our clinic volumes have increased a consistent 30% over the prior year and our Medicare outpatient reimbursement went up 16% based on our last cost report.

We have gone from a stagnant "stabilize and ship" CAH to a vibrant provider of healthcare for our community...this despite the fact that we are 55 miles from the nearest town with a Wal-Mart store. The robot opens up opportunities for clinical affiliations which have increased interest from mid-level providers as well as some second and third year residents in medical school as they would no longer be the only town doctor. We have gone from a hospital that was looking to close its doors in early 2013 to a vibrant growing and profitable hospital by 2014. So, if you are wondering how you can afford this robot, I would ask you how can you not afford to have this robot?



Hamilton County Hospital is a 25 bed critical access hospital located in Southwestern Kansas. We're committed to providing exceptional health care to the citizens of Hamilton County and the surrounding area.

Vision Statement

Hamilton County Hospital will reinvent the delivery of rural health care through exemplary teamwork of people who care about their patients and community, innovative use of emerging technologies, and mutually respectful partnering with other health care providers.

Mission Statement

The Mission of Hamilton County Hospital is to be the trusted health care cornerstone on which the community will build its future.