

FAQ: EXPLORING CRITICAL ACCESS DESIGNATION

As Sheridan Memorial Hospital works to strengthen local healthcare, the organization is exploring a transition to Critical Access Hospital (CAH) designation to support long-term sustainability and continue providing high-quality, patient-centered care.

This exploration reflects changing community needs and the growing financial pressures facing rural hospitals. A CAH designation would better align payment for services from Medicare and other government insurers with the cost of care — allowing SMH to reinvest in services, people and technology.

The change in designation would allow Sheridan Memorial Hospital to maintain its current scope of care while continuing to meet the evolving needs of the community.

This FAQ provides an overview of what is being considered and why, as we work to keep local healthcare strong for the future.

I encourage you to reach out to me or hospital leaders should you have additional questions or concerns.



Sincerely,
Mike McCafferty
CEO, Sheridan Memorial Hospital

QUICK FACTS



Sheridan Memorial Hospital has seen its proportion of Medicare and other government insurers increase from **40%** in 2005 to **67%** in 2025.



Sheridan Memorial Hospital's average daily census for inpatient status beds was **16.9** in 2025 and **18.3** in 2024.



As a prospective payment system hospital, Medicare reimbursements have typically covered approximately **75%** of the cost to provide care at SMH.

WHY THIS MATTERS

Sheridan Memorial Hospital is committed to caring for and serving the people of the Sheridan community with excellent, patient-centered healthcare. Our community requires Sheridan Memorial Hospital have a strong foundation of services capable of caring for an aging population typically covered by Medicare and other government insurers. Those necessary services include Emergency Medicine, Rheumatology, Internal Medicine, Geriatric Medicine, Palliative Care, Long-Term Care, Home Care, Hospice, Cardiology and all connected rehabilitation services.

Not one of these services generates income over the expense to provide the service. Nor do specialty services such as Pediatrics, Family Medicine, Behavioral Health or Addiction Medicine - all of which are essential to our community.

For small rural hospitals, the number and type of patients served each day directly shape financial stability. A low daily patient census with a high proportion of patients covered by Medicare, Medicaid and Veterans Affairs benefits limits how the hospital is reimbursed for the care it provides.

FREQUENTLY ASKED QUESTIONS

WHY IS SMH CONSIDERING A CHANGE TO A CRITICAL ACCESS HOSPITAL (CAH)?

Over the years, SMH has seen a dramatic change in how it is paid by government health insurance programs for providing care to the community.

Critical access hospital (CAH) designation is designed specifically to address this imbalance — helping ensure services remain available in rural communities by aligning payment for care more closely with the realities of providing care where patient volumes are lower and

Medicare and other government payers make up a higher percentage of the population.

Changing SMH's designation to a CAH is expected to result in better reimbursement from government programs that will allow the hospital to continue providing excellent, patient-centered care close to home while reinvesting in the people who make that care possible alongside facilities and technology.

WHAT IS THE DIFFERENCE BETWEEN A CRITICAL ACCESS HOSPITAL AND PROSPECTIVE PAYMENT SYSTEM HOSPITAL?

The primary difference between a CAH and a prospective payment system (PPS) hospital is how they are reimbursed for care.

A CAH is a designation typically applied to smaller, rural hospitals. To qualify, these hospitals must meet certain requirements, including:

- located at least 35 miles from the next closest hospital.
- limited to 25 inpatient status beds.

Instead of being paid a fixed rate for services, CAHs are reimbursed by Medicare based on the program's allowable cost of providing care. This model helps stabilize rural hospitals that may have lower patient volumes but still need to provide essential services.

In comparison, Medicare reimburses PPS hospitals for care based on a fixed amount for each type of service or diagnosis.

DOES SHERIDAN MEMORIAL HOSPITAL CURRENTLY MEET THE CRITERIA FOR A CAH?

While Sheridan Memorial Hospital is currently licensed for 88 beds, the hospital's average daily census for inpatient status beds has trended down with the advancement of technology and medical treatments that allow for less invasive procedures and faster recovery times.

SMH's average daily census for inpatient status beds

over the last decade has remained below the 25-bed limit for critical access designation. In 2025, the hospital's average daily inpatient status census was 16.9. In 2024, it was 18.3.

Sheridan Memorial Hospital will work through an application process with the state to potentially change its designation to a critical access hospital.

DOES THAT MEAN SMH WILL STOP OFFERING TRANSITIONAL CARE SERVICES?

No. SMH is exploring moving its transitional care services to Sheridan Green House, a community asset operated by the hospital since 2024.

Transitional care patients — those recovering after a hospital stay but not yet ready to return home — often need a balance of clinical support, rehabilitation and a comfortable, healing environment. The goal is to bridge the gap between hospital and home.

Sheridan Green House supports that transition by

providing high-quality medical care in an environment that encourages independence.

As SMH examines existing service lines to ensure alignment with a potential CAH designation, decisions regarding specific services will consider the best use of resources including space, staffing and facilities in alignment with the hospital's core principles of value for the customer, respect for every individual and continuous improvement.

IF TRANSITIONAL CARE MOVES TO SHERIDAN GREEN HOUSE, HOW DOES SMH ANTICIPATE THE EXISTING TCU SPACE WOULD BE UTILIZED?

SMH is extremely proud of the existing Transitional Care Unit and the people who care for patients in that space. Many members of our community as well as employees of the hospital have invested in the development of the TCU, which opened in 2022. SMH is committed to honoring that investment and continuing to provide a high level of care for patients.

Moving transitional care to Sheridan Green House could allow SMH to utilize the existing transitional

care space for medical and surgical patients, honoring and utilizing the investments made in this asset for the patients of the Sheridan community. The SMH facilities master plan will also be updated to include much needed renovations to women's health and surgical services. SMH would be able to utilize existing facilities for necessary updates without having the additional capital cost to expand the existing structural footprint.

IF THE CAH DESIGNATION MEANS SHERIDAN MEMORIAL HOSPITAL IS LIMITED TO 25 INPATIENT BEDS, DOES THAT MEAN I MAY HAVE TO BE TRANSFERRED AWAY FROM SHERIDAN COUNTY TO RECEIVE CARE?

SMH's average daily inpatient status census over the last decade has remained below the 25-bed limit for critical access designation. While there have been times SMH has exceeded that number of patients – just 1.4% of the time

in 2024 and 3.8% in 2025 - the hospital's staff is strengthening its support services to ensure safe transitions home or to different levels of care based on individual patient needs.

WOULD THE CRITICAL ACCESS DESIGNATION REQUIRE PATIENTS TO BE DISCHARGED WITHIN A CERTAIN TIMEFRAME?

No. This is a common misconception related to CAHs. While CAHs are required to maintain an average length of stay of 96 hours or less, that does not mean that every patient must be discharged within 96 hours.

The 96-hour timeframe is an average across all patients. SMH's average length of stay in 2025 was 76 hours. Patients will continue to be treated based on individual medical needs and safety, not based on a clock.

WILL THE CAH DESIGNATION REQUIRE SMH TO REDUCE STAFFING OR THE SERVICES IT PROVIDES TO THE COMMUNITY?

No. As a CAH, Sheridan Memorial Hospital would be able to continue providing all of its current services and remain flexible in meeting the changing needs of the community. A change to a CAH would not require any reduction in staffing and would allow SMH to better reinvest in its people, facilities and service lines to ensure excellent, patient-centered care close to home.

Over the last decade, SMH has operated each year at an approximately 2.5% loss. Continuing to operate as a prospective payment hospital would limit the hospital's ability to meet its mission and hinder its ability to invest in the employees, services and technology that make healthcare in our community special.

AS SMH NAVIGATES THIS ANTICIPATED CHANGE, WHAT VALUES AND PRIORITIES IS THE ORGANIZATION FOCUSED ON?

As this exploratory process moves forward, some changes may be felt more directly in certain areas. Throughout it all, our focus remains the same: continuing to provide exceptional care for our community and supporting the people who make that care possible.

