

# SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM (SHIP) FREQUENTLY ASKED QUESTIONS (FAQS)

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# SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM (SHIP) FREQUENTLY ASKED QUESTIONS (FAQS)

## Program Basics and Eligibility Requirements

### What is SHIP?

SHIP, the Small Rural Hospital Improvement Grant Program, is a program run through the Health Resources and Services Administration's Federal Office of Rural Health Policy. Through SHIP, small rural hospitals that meet certain eligibility requirements are able to apply for funding to assist in the implementation of activities related to:

- Value-Based Purchasing (VBP)
- Accountable Care Organizations (ACOs)/Shared Savings
- Payment Bundling (PB)/Prospective Payment System (PPS) SHIP is authorized by section

1820(g)(3) of the Social Security Act.

### How do hospitals apply for SHIP funding?

Direct federal funding for SHIP is secured through the State Office of Rural Health in each of the 46 states with eligible hospitals. States in turn solicit applications from their SHIP eligible hospitals.

### Who is eligible for SHIP?

Eligible small rural hospitals are non-federal, short-term general acute care facilities located in a rural area of the United States and the territories, including faith-based hospitals. They may be for-profit, not-for-profit or tribal organizations.

### Which states participate in SHIP?

All states participate in SHIP, except Delaware, New Jersey, Connecticut and Rhode Island which have no SHIP eligible hospitals.

### What is the SHIP application and award process?

The State Office of Rural Health (SORH) submits a grant application to the Federal Office of Rural Health Policy within the Health Resources and Services Administration (HRSA) on behalf of eligible hospital applicants in their state. The SORH is the official grantee of record and serves as the fiscal intermediary for all eligible hospitals within the state. The SORH receives the federal funds, verifies hospital eligibility, makes awards to eligible hospitals and ensure appropriate use of funds. At the end of the grant period, the SORH submits a financial report to the HRSA Division of Grants Management Operations (DGMO).

### How do hospitals qualify as rural?

Hospitals can qualify as rural, even though they are not in non-Metro counties or eligible Census Tracts, by being designated as rural, either by statute or regulation by the State government. All critical access hospitals are rural by definition and qualify for SHIP.

### Can SHIP hospitals, affiliated with large health system and who no longer file cost reports, attest that they are still operating with 49 beds or less?

Yes, they can attest to the number of beds from hospital administrator.

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Can a SHIP eligible hospital affiliated with a large hospital system, use the combined cost report information for the system?

Yes, hospitals can submit an attestation from the Chief Executive Officer or Chief Financial Officer indicating they are operating at 49 beds or less.

What is the specific language in the Guidance for how SHIP funds can be used?

The notice announces the opportunity to apply for funding under the Small Rural Hospital Improvement Program (SHIP). This program supports eligible hospitals in meeting value-based payment and care goals for their respective organizations, through purchases of hardware, software and training. SHIP also enables small rural hospitals: to become or join accountable care organizations (ACOs); to participate in shared savings programs; and to purchase health information technology (hardware and software), equipment, and/or training to comply with quality improvement activities, such as advancing patient care information, promoting interoperability, and payment bundling.

What is the SHIP Purchasing Menu?

In 2013, in order to ensure effective use of SHIP funding and increase program integrity, the Federal Office of Rural Health policy instituted a SHIP Purchasing Menu from which eligible SHIP hospitals select investments. Investment activities are broken into three categories: Value-Based Purchasing, Accountable Care Organizations (ACOs)/Shared Savings and Payment Bundling (PB)/Prospective Payment System (PPS). Activity priorities are set each year based on current industry trends.

## **SHIP Coordinator Guidance**

Does the same amount of funding have to be provided to all hospitals?

Yes, all hospitals must receive the same amount of money. Pooling of funds in the form of networks or consortia is encouraged as a way to increase purchasing power of hospitals pursuing similar activities.

SHIP funds were used for a different category than what the hospital initially asked for so what should I do?

Remind the hospital of their agreement, monitor, evaluate progress and likelihood of it happening again and if it does, exclude them from future participation. They should seek prior approval from SHIP Coordinator/State Office of Rural Health before changing activities.

Can SHIP funds be used to support provider-based rural health clinic (RHC) investments?

Yes, SHIP funds can be used to support RHC investments as long as they are aligned with the SHIP menu. Additional guidance and examples of RHC investments are provided in the SHIP Investment Menu.

Can a hospital spend leftover money on another activity on the SHIP purchasing menu?

Hospitals that have realized a cost savings can spend leftover activities on other SHIP investments. The State Office of Rural Health must approve any change in use of funds.

What can the State Office of Rural Health do if hospitals do not spend all funds?

State Offices can redistribute funds among all hospitals or undertake a SHIP-oriented training. They may also develop a special project aligned with SHIP guidance and hospital needs. If the SHIP Coordinator has

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questions, they should contact the Federal Office of Rural Health Policy Program Officer for guidance. ***Funds cannot be transferred to another participating hospital without prior FORHP approval.***

[Can state SHIP Program staff salaries be paid with SHIP funds?](#)

Yes, personnel costs are allowed only for award oversight; this does not include hospital personnel. Remember, SHIP is primarily a pass-through for hospital improvement so budgets will be scrutinized for reasonable costs.

[Can indirect costs be included in the SHIP budget?](#)

Yes, indirect costs up to 15% can be allocated for the State Office of Rural Health.

[Can the State Office of Rural Health alter the hospital application to include more questions or requirements?](#)

Yes, as long as all the information needed for the State Spreadsheet of SHIP Applicants is gathered, the form can be altered to meet state needs. This includes requiring hospitals to submit additional documentation needed at the state level.

[Are states required to submit individual hospital applications to the Federal Office of Rural Health Policy or do they keep them on file again?](#)

States should keep hospital applications on file for the fiscal year for which they are applying. As part of integrity oversight and monitoring, FORHP may randomly ask States to provide signed applications.

[Are electronic signatures acceptable for the hospital applications?](#)

The Federal Office of Rural Health Policy has indicated that electronic signatures are acceptable from their perspective. State Office of Rural Health will want to ensure their application process aligns with any state requirements for signatures.

[The hospital application requires that hospitals agree to select investments for which they will be able to demonstrate measurable outputs/outcomes and to report those measures and progress to the State Office of Rural Health \(SORH\) upon request and at the end of the program year. What kinds of measures should the hospitals be tracking and what is the SORH supposed to do with that information?](#)

At this time there is no standard set of measures for SHIP investments; however, program integrity is of utmost importance and therefore states are encouraged to maintain communication with their hospitals regarding use of their funds and outcomes from their SHIP activities. SORH's can use what they learn in this regard to inform future projects at other hospitals and to identify opportunities for pooling of resources to maximize SHIP investment.

[How is hospital bed count determined?](#)

"Eligible small rural hospital" is defined as a non-Federal, short-term general acute care hospital that: (i) is located in a rural area as defined in 42 U.S.C. 1395ww(d) and (ii) has 49 available beds or less, **as reported on the hospital's most recently filed Medicare Cost Report**. Cost report instructions define staffed beds as, "the number of beds available for use by patients at the end of the cost reporting period. A bed means an adult bed, pediatric bed, birthing room, or newborn bed maintained in a patient

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care area for lodging patients in acute, long term, or domiciliary areas of the hospital. Beds in labor room, birthing room, postanesthesia, postoperative recovery rooms, outpatient areas, emergency rooms, ancillary departments, nurses' and other staff residences, and other such areas which are regularly maintained and utilized for only a portion of the stay of patients (primarily for special procedures or not for inpatient lodging) are not termed a bed for these purposes." Source: [costreportdata.com](http://costreportdata.com)

How are detox beds reflected on the Medicare cost report? For purposes of SHIP, hospitals report the number of beds on Line 14 of the Medicare Cost Report. If that number is 49 or less (staffed, not licensed), the hospital meets the bed count requirement to participate in SHIP. Are the detox beds included on line 14 of the cost report?

If the detox beds are part of the hospital licensure and are available for acute care PPS, then the beds are included on line 1, column 2 on Worksheet S-3 Part I. The beds are also included in the total on line 14, column 2. If the detox beds are custodial beds and not available for acute care, then they are in a non-reimbursable cost center and not included in line 14. If the detox beds are a DPU and not available for acute care, then they have a separate sub-provider number and the beds are reported below line 14.

### What is a Special Innovations Project?

Network/consortia development has been a long-standing program priority to assist resource and knowledge sharing throughout the SHIP. SHIP Coordinators can support hospital networks or consortia in the development of a Special Innovations Project (SIP) to operate through the Project Period with streamlined reporting and a final report to provide additional feedback on best practices and lessons learned. For the purposes of this model, innovation is the process of evaluation, selection, development, and implementation of new or improved services and/or programs. Within the SHIP investment menu guidelines, the SIP can be a process and/or quality innovation.

### What are the requirements for the Special Innovations Project?

The applicant requirements are as follows:

- Network/consortia membership (existing or newly formed) will include three or more SHIP hospitals and/or provider-based rural health clinics.
- Cohort will stay intact during the Project Period, with minimal (if any) change in the participating hospitals and no change in annual SHIP investments.
- All participating hospitals must continue to meet HCAHPS and ICD-10 requirements.
- Existing networks/consortia may choose to participate.

### What methodology will we need to use to summarize the network/consortia activities for the Special Innovations Project?

You will need to summarize how the network/consortia will:

- Efficiently leverage SIP funds for overall hospital improvement.
- Demonstrate how SIP activities will collectively affect participants.
- Demonstrate resourceful application of the consortium to improve quality improvement, financial improvement, shared savings, etc.

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## Hospital Guidance

[What are the funding priorities a hospital must follow in selecting investment activities?](#)

The first priority is that hospitals must fully implement the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) and ICD-10. Furthermore, hospitals must publicly report HCAHPS scores to Hospital Compare. Priority is not given to one over the other of HCAHPS and ICD-10 and hospitals may choose to work on both simultaneously.

The second priority for investment activities are all other options listed on the SHIP purchasing menu. For examples of efficiency, quality improvement or systems performance activities, see the [Examples of Investment Activities](#) section in this document.

If a hospital has already completed ALL investments listed on the SHIP purchasing menu, the hospital may identify an alternative piece of hardware and/or software and/or service ONLY IF: a) the purchase will optimally affect the hospital's transformation into an accountable care organization, increase value-based purchasing objectives and/or aid in the adoption of ICD-10; and b) the hospital receives pre-approval from both the state SHIP Coordinator and the appropriate Federal Office of Rural Health Policy project officer.

[What does a hospital need to do to get our HCAHPS scores displayed on Hospital Compare?](#)

If a hospital is using a vendor for HCAHPS, the vendor should be able to walk the hospital through the process of ensuring all the necessary pieces are in place to allow data to appear on Hospital Compare. This will include at a minimum completing a vendor authorization and the Hospital Inpatient Quality Reporting Notice of Participation, both through QualityNet.

[Does our HCAHPS vendor have to be CMS certified?](#)

Yes, your HCAHPS vendor must be CMS certified.

[What if a hospital has completed the necessary steps to allow for our HCHAPS data to appear on Hospital Compare, but due to low volumes, the data is suppressed? Is the hospital allowed to choose a different investment activity from the SHIP Purchasing Menu?](#)

Yes, so long as the hospital has taken all the necessary steps to allow for HCAHPS data to appear on Hospital Compare, the hospital can select a different investment from the SHIP Purchasing Menu.

[Do hospitals have to allocate 100% of funds to one category?](#)

No, hospitals may split funding between different SHIP Purchasing Menu categories.

[Are hospitals allowed to change their investment after they have submitted their application?](#)

The State SHIP Coordinator has discretion to determine if a change in investment can/should be made. In an effort to ensure program integrity, coordinators may want to monitor hospitals that make such requests closely. Some coordinators have implemented deadlines for hospital changes to investments.

[Can hospitals select the same priority 2 years in a row?](#)

Yes, they can.

[Can hospital staff salaries be paid with SHIP funds?](#)

No, SHIP funds cannot be used for salaries at the hospital.



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Can travel be paid for with SHIP funds?

No, SHIP funds cannot be used for travel.

Can SHIP funds be used to pay for any type of assessment?

No, SHIP funds cannot be used for assessments. See language under '[Use of Funds](#)'.

If a hospital has SHIP money left over after completing chosen investments, can the hospital spend that money on another activity from the SHIP purchasing menu?

Hospitals that have realized a cost savings can spend leftover activities on other SHIP investments. The State Office of Rural Health must approve any change in use of funds.

Can SHIP funds be used to pay for an internal training conducted by an affiliated hospital system?

Yes, with SHIP Coordinator approval and understanding of how the training aligns with selected SHIP menu activity and supports improvement.

Can SHIP funds be spent on an HCHAPS vendor?

Yes, because many hospitals cannot afford the costs of HCAHPS without SHIP and because it is part of quality improvement.

Is it possible for hospitals to pool SHIP funds on a shared activity?

Yes, pooling SHIP funds amongst hospitals is a great way to make efficient use of resources. The State Office of Rural Health must be involved in establishing any such projects.

Can a hospital use SHIP funding to purchase tablets?

Tablets and other technology/hardware investments are allowed if they will be used by staff to support efficiencies. Tablets for patient entertainment purposes are not allowed.

The application asks if the applicant hospital is participating in various Centers for Medicare and Medicaid Services (CMS) programs. Where can I find out more about these programs?

Click on the links below to find out more about each of the CMS programs included on the hospital application:

- [Medicare Shared Savings Program](#)
- [Hospital Inpatient Quality Reporting Program](#)
- [Hospital Compare](#)
- [Hospital Value-Based Purchasing Program](#)

### Examples of Training and/or Investment Activities

Many of the investment options on the SHIP Purchasing Menu are self-explanatory, while a few are more general in nature. What follows are examples of activities a hospital may undertake for some of the broader investment activities. **Please note, this is not an exhaustive list;** rather it is meant to provide some examples to assist hospitals in selecting activities that will work best for them and fit under the guidelines of the program. Hospitals should contact the State Office of Rural Health (SORH) with questions



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regarding the appropriateness or fit of a certain activity. SORHs with similar questions should contact the appropriate Federal Office of Rural Health Policy project coordinator.

What are examples of activities for the investment option (C) under the category Value-Based Purchasing (VBP): *Efficiency or quality improvement training in support of VBP initiatives?*

Consider adopting Six Sigma, Lean, Plan-Do-Study-Act or other such efficiency or quality improvement processes to address performance issues related to VBP initiatives, such as the following:

- Patient experience of care
- Clinical care processes and outcomes
- Patient safety
- Reducing readmissions
- Reducing infections
- Medicare spending per beneficiary

What are examples of activities for the investment option (D) under the category Accountable Care Organization (ACO) or Shared Savings: *Efficiency or quality improvement training in support of ACO/Shared Savings initiatives?*

Consider adopting Six Sigma, Lean, Plan-Do-Study-Act or other such efficiency or quality improvement processes to address performance issues related to ACO/Shared Savings initiatives, such as the following:

- Non-clinical operations
- Board organization/operations
- Multihospital/network trainings (traditional and/or non-traditional partners)
- Emergency Department Transfer Communications
- Health Information Exchange (with traditional and/or non-traditional partners)
- Swing bed utilization training
- Care coordination training
- Population health training

What are examples of activities for the investment option (E) under the category Accountable Care Organization (ACO) or Shared Savings: *Systems performance training?*

Hospitals interested in systems performance training may want to consider adopting a framework approach, such as one of the following:

- Baldrige
- Balanced Score Card
- Logic Model

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What are examples of activities for the investment option (C) under the category Payment Bundling/Prospective Payment System (PB/PPS): *Efficiency or quality improvement training in support of PB/PPS initiatives?*

Consider adopting Six Sigma, Lean, Plan-Do-Study-Act or other such efficiency or quality improvement processes to address performance issues related to PB/PPS, such as the following:

- Financial improvement software or training
- Operational multi-hospital/network trainings