A Hospital Finance Basics Series

How County Hospitals Are Funded in Kansas

Kansas Hospital Association



OVERVIEW



Many community hospitals in Kansas are publicly owned hospitals established by a county government or hospital district to ensure local access to health care services. Many serve rural communities where maintaining hospital access can be financially challenging due to low patient volumes, workforce shortages, aging populations and a high percentage of Medicare and Medicaid patients.

Currently, approximately 40–50 hospitals in Kansas are owned by counties or hospital districts. Collectively, these hospitals receive approximately $24 million annually in county property tax (mill levy) support and an additional $10 million annually in hospital district mill levy support. These amounts represent the combined funding provided to hospitals across Kansas, not what each individual hospital receives. A mill levy is the property tax rate applied to a property's assessed value, with one mill equal to $1 in taxes for every $1,000 of assessed value. According to the 2024 survey, the combined mill levies supporting these hospitals totaled 345 mills.

In addition to property tax support, several counties and cities fund hospitals through local sales taxes, generating about $21 million annually in additional statewide support.

County hospitals are funded through a combination of the following sources:

1. PATIENT CARE REVENUE (PRIMARY FUNDING SOURCE)

The largest source of revenue for most county hospitals comes from providing inpatient and outpatient health care services to patients.

Hospitals receive reimbursement payments from:

- Medicare (because many rural Kansas communities have older populations, Medicare is often the largest payer of services. Many county hospitals' patient care revenue is well over 50 percent Medicare.)
- Medicaid (KanCare)
- Commercial insurance
- Medicare Advantage plans
- Self-pay/uninsured patients

Revenue is generated through services such as:

- Emergency care
- Inpatient hospital stays
- Outpatient services
- Surgery
- Laboratory and imaging services
- Clinic visits
- Skilled nursing or long-term care services (if operated by the hospital)

Even though this is the primary funding source, reimbursement often does not fully cover the cost of providing care — especially in rural areas with low patient volume and high fixed operating costs.

2. LOCAL TAX SUPPORT

Some Kansas county hospitals receive local tax support through property or sales taxes approved under Kansas law. This support may be used to:

- Offset operational losses
- Support emergency services
- Maintain essential services locally
- Fund facility improvements or equipment
- Support debt obligations for construction projects

The level of tax support varies significantly by community. Some hospitals receive little or no direct tax support, while others rely more heavily on local support to sustain operations.

Importantly, local tax dollars generally represent only a portion of overall hospital funding and are often used to help preserve access to care in communities where operating solely on patient revenue would be difficult.

3. COUNTY BONDS AND CAPITAL FINANCING

When hospitals need to build, renovate or modernize facilities, counties or hospital districts may finance projects through:

- General obligation bonds
- Revenue bonds
- Loans
- Local capital campaigns

These projects may include:

- New hospital construction
- Emergency department upgrades
- Equipment purchases
- Clinic expansion
- Information technology modernization

Bond repayment may come from hospital revenue, local taxes, or a combination of both depending on the structure.

4. GRANTS AND SUPPLEMENTAL FUNDING

County hospitals also may receive:

- Federal grants
- State grants
- Savings from discount programs
- Philanthropic support
- Foundation contributions

Examples include:

- Rural health grants
- 340B savings
- Workforce development grants
- Telehealth funding
- Emergency preparedness funding
- Infrastructure modernization grants

CRITICAL ACCESS HOSPITALS

Most rural county hospitals in Kansas are designated as Critical Access Hospitals. CAHs are small rural hospitals designed to maintain access to care in rural communities. Kansas has 83 CAHs.

They are limited to 25 beds, must maintain 24/7 emergency services, and must meet distance requirements from other hospitals unless a hospital was designated as a "necessary provider" by the governor. CAHs are limited in how long they can keep acute care patients as inpatients, with an average length of stay of 96 hours or less. Originally, Medicare reimbursed CAHs at 101 percent of allowable costs (cost-based reimbursement), but due to Medicare sequestration, CAHs are now reimbursed at 99 percent of allowable costs.

RURAL EMERGENCY HOSPITALS

A county hospital can be designated as a Rural Emergency Hospital. REHs do not have inpatient services instead focus exclusively on outpatient and emergency medicine.

REHs must staff and operate an emergency department 24//7. They provide observation care, diagnostic radiology, laboratory services, pharmacy services, and optional outpatient services. Patient visits cannot exceed an annual average length of stay of 24 hours. REHs must maintain an active patient transfer agreement with a Level I or Level II trauma center. REHs receive a fixed monthly payment from Medicare that scales annually to help offset operational overhead and a 5 percent add-on payment above standard Outpatient Prospective Payment System rates.

BOTTOM LINE

Kansas county hospitals are primarily funded through patient care revenue, but many also depend on local tax support and special rural Medicare programs to maintain access to essential health care services in their communities.Their structure reflects the reality that rural health care access can be challenging to sustain through patient revenue alone, particularly in sparsely populated areas where hospitals still must maintain around-the-clock readiness and essential services.