



NATIONAL RURAL HEALTH RESOURCE CENTER

SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM (SHIP)

ALLOWABLE AND UNALLOWABLE INVESTMENT ACTIVITY EXAMPLES

Clarification of Allowable and Unallowable Investments

In general, SHIP allowable investments include activities that support telemedicine equipment, revenue cycle management improvements, systems performance training to increase operational and financial efficiencies, care management and transitions of care processes that improve quality of care and reporting, as well as some software, hardware and equipment as indicated by SHIP Purchasing Menu category.

Unallowable investments include, but are not limited to, travel costs, hospital services, hospital staff salaries, or general supplies. Hospitals should contact their State Office of Rural Health (SORH) with questions regarding the appropriateness or fit of a certain activity or equipment purchase. For additional clarifications, refer to [Frequently Asked Questions \(FAQs\)](#).

SHIP Funding Priorities

Hospitals must first meet SHIP funding priorities before using resources to support investments in other areas. SHIP funding priority areas include:

- SHIP funded investments are prioritized based on Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) reporting and ICD-10 coding.
- Hospitals must utilize resources to fully implement ICD-10 coding and HCAHPS reporting to Hospital Compare before the facility can select any other investment options without exceptions.

This project is supported by the Health Resources and Services Administration (HRSA) of the U.S. Department of Health and Human Services (HHS) under grant number UB1RH24206, Information Services to Rural Hospital Flexibility Program Grantees, \$1,100,000 (0% financed with nongovernmental sources). This information or content and conclusions are those of the author and should not be construed as the official position or policy of, nor should any endorsements be inferred by HRSA, HHS or the U.S. Government.

- Hospitals with low HCAHPS volume are still required to *report* HCAHPS to participate in the SHIP Program.

Hospitals that do not follow the purchasing priorities and/or purchase equipment/services that are not listed on the SHIP Purchasing Menu without prior approval may be subject to penalties including exclusion from the next SHIP funding opportunity.

If a hospital has already completed ALL investments listed on the SHIP purchasing menu, the hospital may identify an alternative piece of equipment 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.

The [SHIP Purchasing Menu tables](#) below outline examples and suggested topic areas for trainings by category to assist eligible SHIP hospitals in planning and selecting activities. This document is not a complete list and is only intended to provide examples for allowable SHIP activities.

Examples of Value-Based Purchasing (VBP) Investment Activities

VBP Investment Activities	Examples of Allowable Activities
A. Quality reporting data collection/related training (e.g. eCQM implementation)	CAHs should be participating in Medicare Beneficiary Quality Improvement Project (MBQIP) Any activity to support process improvements that result in improved quality reporting.
B. HCAHPS data collection process/related training	A SHIP funding priority – refer to above section Any activity to improve HCAHPS data collection, reporting, provider communications , patient and family engagement that directly impact patient satisfaction scores . Hospitals may use funds to support HCHAPS vendor to assist them in fully implementing HCAHPS and improve reporting.
C. Efficiency or quality improvement training/project in support of VBP related 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:

VBP Investment Activities	Examples of Allowable Activities
	<ul style="list-style-type: none"> • Patient experience of care • Clinical care processes and outcomes • Patient safety • Reducing readmissions • Reducing infections • Antibiotic stewardship
D. Provider-Based Clinic Quality Measures Education	<p>Any activity that supports educational training for provider-based clinic quality improvement reporting and scores</p> <ul style="list-style-type: none"> • Physician Engagement
E. Alternative Payment Model and Merit-Based Incentive Payment training/education	<p>Software or training to prepare staff and physicians for Merit-Based Incentive Payment System (MIPS), which determines payment based on quality, resource use, clinical practice improvement, and meaningful use of certified EHR technology or to prepare for contracting in Accountable Care Organizations (ACOs), Shared Savings Plans, Patient Centered Medical Homes, and bundled payment models.</p> <ul style="list-style-type: none"> • Physician and Provider Engagement and Alignment • Population Health Management • Quality Payment Program: Small, Rural, and Underserved Practices • MACRA/MIPS Overview and Eligibility • MACRA Decision Guide, • Alternative Payment Models: Business Perspective

Examples of Accountable Care Organization (ACO) or Shared Savings Investment Activities

ACO or Shared Savings Investment Activities	Allowable Activities
A. Computerized provider order entry implementation and/or training	Any educational trainings that support provide use and implementation
B. Pharmacy services implementation	Activities that support equipment, dispensing systems, and/or investments that develop remote pharmacy services.

ACO or Shared Savings Investment Activities	Allowable Activities
C. Disease registry training and/or software/hardware	Any educational training and/or purchases for software or hardware to support development and implementation of a disease registry
D. Efficiency or quality improvement training/project in support of ACO or shared savings related initiatives	<p>Quality Improvement activities such as the following:</p> <ul style="list-style-type: none"> • CMS Abstraction & Reporting Tool (CART) • IHI Plan Do Study Act (PDSA) • Root Cause Analysis (RCA) • TeamSTEPPS and Lean Process planning • Community Care Coordination and Chronic Care Management <p>Consider other efficiency or quality improvement processes to address performance issues related to the following:</p> <ul style="list-style-type: none"> • Medicare spending per beneficiary • Non-clinical operations • Board organization/operations • Multi-hospital/network projects (traditional and/or non-traditional partners) • Emergency Department Transfer Communications • Health Information Exchange (with traditional and/or non-traditional partners) • Swing bed utilization • Care coordination • Population health
E. Systems performance training	<p>Hospitals interested in systems performance training may want to consider adopting a framework approach to transition to value-based system planning such as one of the following:</p> <ul style="list-style-type: none"> • Performance Excellence (PE) Blueprint to for small rural hospitals based on Baldrige Framework • Strategy Map and Balanced Scorecard development • Logic Model
F. Mobile health equipment installation/use	Any training and/or equipment installation that supports the application and implementation of telehealth and/or telemedicine. Tablets and other technology/hardware investments are allowed if they are used by staff to improve operational efficiencies and telehealth services.

ACO or Shared Savings Investment Activities	Allowable Activities
G. Community paramedicine training and/or equipment installation/use	<p>Community Paramedic Program (CPP) development. If the hospital and/or hospital-owned ambulance units has a formal CPP, then equipment can be purchased to support the CPP to reduce emergency medical services (EMS) and emergency department misuse and readmissions. However, use of SHIP funding for general EMS equipment is not allowable.</p> <p>Community Paramedicine Topic Guide defines community paramedicine and provides examples of existing models</p>
H. Health Information Technology Training for Value and ACOs	<p>Telehealth Use in Rural Healthcare Models and Innovations provides examples of telehealth projects</p> <p>Cybersecurity. Because SHIP works on hardware, software and training, it would be beneficial to include risk assessments and/or trainings associated with cybersecurity. This opportunity hospitals to leverage collaborations to use SHIP to provide the security as a network to include assessing and risk mitigation.</p>

Examples of Payment Bundling (PB) or Prospective Payment System (PPS) Investment Activities

PB or PPS Investment Activities	Allowable Activities
A. ICD-10 software	<p>SHIP funding priority – refer to above section</p> <ul style="list-style-type: none"> • Activities that update and computerize hospital policies and procedures • Software investments that improve quality, efficiencies, and coding
B. ICD-10 training	<p>SHIP funding priority – refer to above section</p> <ul style="list-style-type: none"> • Training to support coding and reimbursement • Activities to support documentation improvements that result in increased coding compliance
C. Efficiency or quality improvement training/project in	<p>Activities that improve processes through adoption of best practices and transition to value-based care strategies such as the following:</p> <ul style="list-style-type: none"> • Financial and operational improvements

PB or PPS Investment Activities	Allowable Activities
support of PB or PPS related initiatives	<ul style="list-style-type: none"> Operational projects for multiple hospitals in a consortium or network projects
D. S-10 Cost Reporting training/project	<ul style="list-style-type: none"> Cost report review Debt and charity care training Improve charity care processes and develop policy guidelines Examples of trainings: <ul style="list-style-type: none"> Understanding the S-10 Worksheet: Determining Charity Care and Bad Debt (Part 1) Understanding the S-10 Worksheet: Determining Charity Care and Bad Debt (Part 2)
E. Pricing Transparency Training	Training on revenue cycle management to improve processes that provide clear information about charges and cost to Medicare beneficiaries.