National Rural Health Association

https://www.ruralhealth.us/advocate
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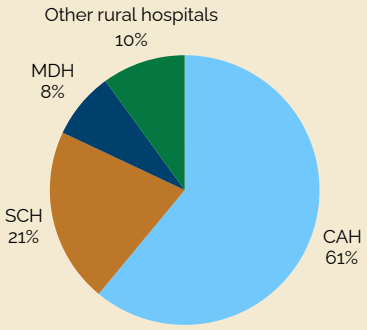
Rural Hospitals 101

Rural hospitals play a crucial role in their communities, providing critical care and economic stability. Rural hospitals increasingly face financial strain, which has led to a recent wave of closures. Five main models of rural hospitals were created created to reduce the financial burden on providers. Each of these models face unique challenges.

Share of Rural Payment Hospitals[1]



Key Rural Hospital Characteristics & Challenges

190 Closures since 2010[2]

46% With Negative Operating Margins[2]

53% Beneficiaries covered by Medicare[4]

19% Beneficiaries covered by Medicaid[4]

432 Vulnerable to closure[2]

1/2 Of closures associated with low patient volume & high cost of care[3]

Access to capital for facility and equipment

- Workforce shortages associated with high costs of labor and provider burnout
- Proportion of Medicare Advantage beneficiaries, associated with high administrative costs, delays and denials, and erosion of designations[5]
- Populations served reporting fair or poor health, obesity, chronic diseases, or frequent smoking

Critical Access Hospital

Designation Eligibility

>35 miles* away from closest hospital

4 day avg. length of stay

25 bed limit

24/7 services available

Benefits

101% cost-based reimbursement from Medicare

Medicare Flex & 340B Program eligibility

Current Challenges[4]

Lower Medicare Advantage reimbursement

Medicare sequestration erodes cost-based payments

Inability to create new necessary provider designations

1,377 CAHs *total*[6]

Sole Community Hospital

465 SCHs *total*[7]

Benefits

Receive higher of either (1) standard Inpatient Prospective Payment System (IPPS) rates or (2) payments case on hospital costs in a base year adjusted for changes in case mix.

7.1% increase to Outpatient Prospective Payment System (OPPS) rate

Current Challenges

Outdated base year for Medicare payment

No indirect medical education or disproportionate share payments for SCHs paid under HSR

Designation Eligibility

>35 miles away from nearest like hospital

OR

Meet other federal criteria for being deemed a community's sole source of care

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Medicare Dependent Hospital

Designation Eligibility

100 bed limit

60% Medicare beneficiaries

Located in a rural area

SCH does not hold SCH designation

Benefits

Paid on blend of PPS rate (25%) + 75% of hospital's histrotic costs per Medicare patient discharge[4]

Current Challenges

Designation is not permanent; requires congressional reauthorization

Outdated base year for Medicare payment

No indirect medical education or disproportionate share payments for MDHs paid under HSR

177 MDHs *total*[7]

Low Volume Hospital

Designation eligibility

>15 miles to closest IPPS hospital

<3,800 annual total discharges

Benefits

Up to a 25% additional payment adjustment for every Medicare patient discharge

Challenges

Designation is not permenant; requires congressional reauthorization

625 LVHs *total*[7]

Rural Emergency Hospital

Designation eligibility

<50 beds

No inpatient care offered

Closed after **Dec. 27, 2020**

Previously CAH, rural acute care, or IHS/tribally owned hospital

Benefits

OPPS rate + 5% for all outpatient department services provided to Medicare patients

Additional monthly facility payment

Challenges

Ineligible for 340B program & National Health Service Corps

No swing bed capacity

40 REHs *total*[7]

Sources:

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