

Rural Site Neutrality

NRHA Factsheet



What is Site Neutrality?

Medicare reimburses for services at HOPDs at higher rates than physicians' offices paid under the Medicare Physician Fee Schedule (MPFS). Site-neutral payment policies aim to equalize Medicare reimbursements regardless of where care is provided. While these policies are intended to control costs, they disproportionately impact rural hospitals, which face lower patient volumes and higher per-patient costs.

Impact on Rural

Site-neutral payment policies have far-reaching consequences for rural hospitals, threatening their financial sustainability and the health of the communities they serve.

Economic Challenges

Rural hospitals depend heavily on outpatient services, with 75% of their revenues coming from these departments in 2021. Medicare accounts for a higher percentage of outpatient revenue in rural hospitals, making Medicare OPPS payments more important in rural hospitals. Rural hospitals meet stringent conditions of participation that result in higher costs per service which are not fully addressed by site-neutral payment rates. Half of rural hospitals operate at a loss. Making further payment cuts could push many to reduce essential services, delay equipment purchases, or close entirely.

Health Access Concerns

Rural HOPDs often serve as the only source of outpatient care in their regions. These facilities have become critical safety nets, especially as standalone physician practices continue to close. Rural hospital reduction in services would leave many residents without nearby health care access, forcing them to travel long distances for even basic treatments and emergency care populations with chronic health conditions. This is especially problematic as Medicare and Medicaid beneficiaries in rural areas disproportionately rely on HOPDs, with 72% of these patients presenting complications or comorbidities. As a result, many patients may forgo preventive or routine care, leading to higher utilization of emergency departments, increasing costs to the larger health care system.

Economic Impact

Hospitals are often the largest employers in rural areas. Site-neutral payment cuts can hinder rural hospitals' ability to recruit and retain healthcare workers, worsening existing workforce shortages. Financial instability could lead to job losses and economic downturns in already fragile rural economies.

NRHA Stance

In recent years, conversations around expanding site-neutral payments have increased and caught the attention of lawmakers. However, what is missing from this discussion is the disproportionate impact on rural hospital sustainability due to the unique characteristics of these facilities. NRHA rejects any future site-neutral payment expansions that harm rural hospitals and opposes expanded site-neutral payment reforms. NRHA calls for rural hospital exemptions from current and future site-neutral policies to protect critical access points for care.