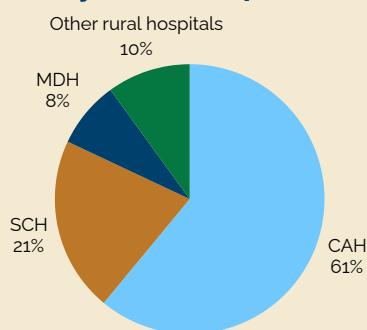


# Rural Hospitals 101

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 to reduce the financial burden on providers. Each of these models face unique challenges.

## Share of Rural Payment Hospitals<sup>1</sup>



## Key Rural Hospital Characteristics & Challenges

**over 200** Closures since 2010<sup>2</sup>

**46%** With Negative Operating Margins<sup>2</sup>

**53%** Beneficiaries covered by Medicare<sup>4</sup>

**19%** Beneficiaries covered by Medicaid<sup>4</sup>



- 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<sup>5</sup>
- Populations served reporting fair or poor health, obesity, chronic diseases, or frequent smoking

**432** Vulnerable to closure<sup>2</sup>

**1/2** Of closures associated with low patient volume & high cost of care<sup>3</sup>

 Access to capital for facility and equipment

## 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

**1,377**  
**CAHs**  
*total<sup>6</sup>*

### Current Challenges

Lower Medicare Advantage reimbursement  
Medicare sequestration erodes cost-based payments  
Inability to create new necessary provider designations

### 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

**465**  
**SCHs**  
*total<sup>7</sup>*

### Current Challenges

Outdated base year for Medicare payment  
No indirect medical education or disproportionate share payments for SCHs paid under Hospital Specific Rate (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

## Sole Community Hospital

# Rural Hospitals 101

## 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 IPPS rate (25%) + 75% of hospital's historic costs per Medicare patient discharge

### 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<sup>7</sup>*

**625**  
**LVHs**  
*total<sup>7</sup>*

### Benefits

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

### Challenges

Designation is not permanent; requires congressional reauthorization

### Designation eligibility

**>15**  
miles to closest  
IPPS hospital  
**<3,800**  
annual total  
discharges

**Low**  
**Volume**  
**Hospital**

## 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

**42**  
**REHs**  
*total<sup>8</sup>*