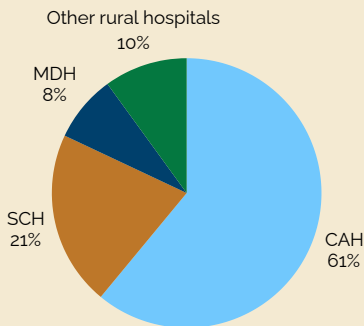


Rural Hospitals 101

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 Hospitals¹



Key Rural Hospital Characteristics & Challenges

over 200 Closures since 2010²

46% With Negative Operating Margins²

53% Beneficiaries covered by Medicare⁴

19% Beneficiaries covered by Medicaid⁴

432 Vulnerable to closure²

1/2 Of closures associated with low patient volume & high cost of care³

↘ 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 designations⁵
- 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

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

1,377
CAHs
total⁶

465
SCHs
total⁷

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Outdated base year for Medicare payment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 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

Located in a
rural area

60%
Medicare
beneficiaries

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*⁷

625
LVHs
*total*⁷

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*⁸