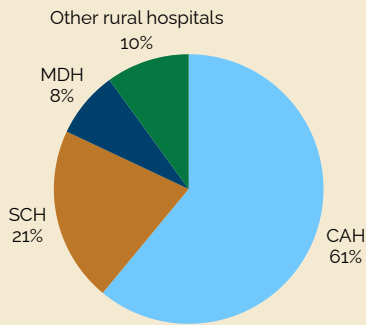


# Rural Hospitals 101

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



## Key Rural Hospital Characteristics & Challenges

**Almost 200** closures since 2010

- 46%** With Negative Operating Margins
- 53%** Beneficiaries covered by Medicare
- 19%** Beneficiaries covered by Medicaid

- 432** Vulnerable to closure
- 1/2** Of closures associated with low patient volume & high cost of care
- ⚡ 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
- 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

**1,378**  
**CAHs**  
total

**423**  
**SCHs**  
total

### 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Outdated base year for Medicare payment  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

### 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

**162**

**MDHs**

*total*

**572**  
**LVHs**  
*total*

### 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

**51**  
**REHs**  
*total*