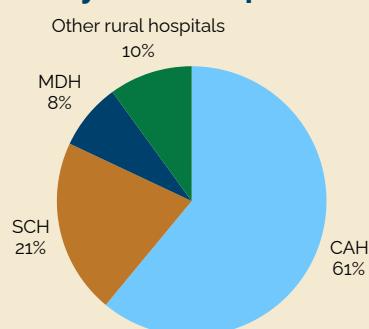


Rural Hospitals 101

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



Almost 200 closures since 2010

46% With Negative Operating Margins

53% Beneficiaries covered by Medicare

19% Beneficiaries covered by Medicaid



Key Rural Hospital Characteristics & Challenges

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

1,377
CAHs
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

465
SCHs
total

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Outdated base year for Medicare payment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

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

625
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

42
REHs
total