

# Rural Hospitals 101

## Critical Access Hospital



### Designation eligibility:

**>35**

miles away from  
closest hospital  
or 15 miles in  
mountainous  
terrain

**4**

day avg.  
length of  
stay

**25**

bed limit

**24/7**

services  
available

### Benefits:

101% cost-based  
reimbursement from  
Medicare<sup>1</sup>

Medicare Flex & 340B  
Program eligibility<sup>1</sup>

### Challenges:

Lower Medicare  
Advantage reimbursement

Medicare sequestration  
erodes cost-based  
payments

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

### Benefits:

Higher payment under the Inpatient  
Prospective Payment System (IPPS)<sup>3</sup>

Hospital-specific rate (HSR)  
adjustment based on cost of  
care, readmissions, and inpatient  
volume

7.1% increase to Outpatient  
Prospective Payment System  
(OPPS) rate<sup>3</sup>

### Challenges:

Workforce retention & shortage  
Geographic isolation

### Must meet 1 of 4 criteria:

**<50**

beds & sole  
provider in  
area

**>35**

miles away  
from closest  
IPPS hospital

**>35**

miles away  
from closest  
hospital + rural

**15-25**

miles away from  
inaccessible  
hospital



**Sole  
Community  
Hospital**

**465**  
**SCHs**  
total<sup>2</sup>

## Medicare Dependent Hospital



### Designation eligibility:

**100**

bed limit

**Rural**

**60%**

Medicare  
beneficiaries

**SCH**

does not  
hold SCH  
designation

### Benefits:

PPS reimbursement + 50-75%  
of the highest HSR cost per  
Medicare patient discharge<sup>4</sup>

Payments to compensate  
>5% drop in case load, if  
out of hospital control<sup>4</sup>

### Challenges:

Low patient volume, long  
inpatient stay, & limited  
payer mix

Delayed payments &  
administrative costs associated  
with Medicare Advantage<sup>6</sup>

**177**  
**MDHs**  
total<sup>2</sup>

# Rural Hospitals 101

## Rural Emergency Hospital



### Conversion eligibility:

**<50**

beds

closed after  
**Dec. 27, 2020**

CAH, rural acute care,  
or IHS or tribally  
owned hospital

### Benefits:

OPPS rate + 5% for all  
outpatient department  
services provided to Medicare  
patients<sup>7</sup>

Additional monthly facility  
payment

Flexible conditions of  
participation

### Challenges:

Ineligible for 340B  
program & National Health  
Service Corp

No inpatient capacity

Not available to hospitals  
closed before Dec. 27, 2020

**36**

**REHs**  
*total*<sup>2</sup>

**625**  
**LVHs**  
*total*<sup>2</sup>

### Benefits:

Up to a 25% additional  
payment adjustment for  
every Medicare patient  
discharge<sup>5</sup>

### Challenges:

Workforce recruitment,  
retention & shortages

Limited payer mix

Delayed payments &  
administrative costs  
associated with Medicare  
Advantage<sup>6</sup>

### Designation eligibility:

**>15**

miles to closest  
IPPS hospital

**<3,800**

annual  
total  
discharges

## Low Volume Hospital



Sources:

1. Critical access hospitals (CAHs) overview - rural health information hub. Accessed May 23, 2025. <https://www.ruralhealthinfo.org/topics/critical-access-hospitals>  
2. Medicare Payment for Rural or Geographically Isolated Hospitals, 2024. (2025, May 23). <https://www.congress.gov/crs-product/IG10050>  
3. The financial importance of the Sole Community Hospital payment designation. Sheps Center. <https://www.shepscenter.unc.edu/product/financial-importance-sole-community-hospital-payment-designation/>  
4. Communities served by rural Medicare dependent hospitals. Sheps Center. <https://www.shepscenter.unc.edu/product/communities-served-by-rural-medicare-dependent-hospitals/>  
5. Rural hospitals overview - Rural Health Information hub. [https://www.ruralhealthinfo.org/topics/hospitals#:~:text=Low%2DVolume%20Hospital%20\(LVH\),more%20information%20about%20this%20designation.](https://www.ruralhealthinfo.org/topics/hospitals#:~:text=Low%2DVolume%20Hospital%20(LVH),more%20information%20about%20this%20designation.)  
6. The growing impact of Medicare Advantage on rural hospitals across America | AHA. <https://www.aha.org/guidesreports/growing-impact-medicare-advantage-rural-hospitals-across-america>  
7. Rural Emergency Hospitals (REHs) overview - Rural Health Information Hub. <https://www.ruralhealthinfo.org/topics/rural-emergency-hospitals>