

November 12, 2024

The Honorable Chiquita Brooks-LaSure
Administrator
Centers for Medicare and Medicaid Services
7500 Security Blvd.
Baltimore, MD 21244

RE: CMS-1808-IFC; Medicare Program; Changes to the Fiscal Year 2025 Hospital Inpatient Prospective Payment System (IPPS) Rates Due to Court Decision.

Submitted electronically via regulations.gov.

Dear Administrator Brooks-LaSure,

The National Rural Health Association (NRHA) submits this comment to express our disappointment with the Centers for Medicare & Medicaid Services (CMS) decision to rescind the low wage index hospital policy. While we acknowledge CMS was compelled to vacate the policy following a court ruling, the policy provided meaningful relief to rural hospitals. Rural America's health safety net is in crisis mode as it faces rural hospital closures, reimbursement decreases, operating margin decline, and loss of staff.¹ In the wake of this policy's absence in fiscal year (FY) 2025 and beyond, inadequate reimbursement will intensify financial pressures on rural hospitals, compromising their ability to serve vulnerable beneficiaries.²

NRHA is a non-profit membership organization with more than 21,000 members nationwide, providing leadership on rural health issues. Our membership includes nearly every component of rural America's health care, including rural community hospitals, critical access hospitals, long-term care providers, doctors, nurses, and patients. We work to improve rural America's health needs through government advocacy, communications, education, and research aiming to mitigate the adverse effects of wage disparities on vulnerable populations.

II. Provisions of the Interim Final Action With Comment Period Impact of Rescinding the Low Wage Index Policy

A. General

Rural hospitals operate under persistent financial strain due to low patient volumes, workforce shortages, and declining reimbursements. Over 180 rural hospitals have closed or ceased providing inpatient services since 2010, with many more at risk.³ Vacating the low wage index policy is

¹ Michael Topchik, et al., *Unrelenting Pressure Pushes Rural Safety Net Crisis into Uncharted Territory*, Chartis (2024), 7, https://www.chartis.com/sites/default/files/documents/chartis_rural_study_pressure_pushes_rural_safety_net_crisis_into_uncharted_territory_feb_15_2024_fnl.pdf.

² Dave Muoio, *CMS issues last-minute IPPS update to reduce payments to low wage hospitals*, FIERCE HEALTHCARE (Oct. 2, 2024), <https://www.fiercehealthcare.com/providers/last-minute-ippis-update-unwinds-cms-low-wage-index-hospital-policy>.

particularly concerning for rural hospitals that in general receive lower reimbursement due to their wage index, which measures hospitals' labor cost relative to others. Overall, 768 hospitals nationwide will experience a lower wage index compared to FY 2024, including 323 rural hospitals. **However, rural hospitals are being disproportionately impacted by this change compared to urban hospitals. Over 35% of rural prospective payment system (PPS) hospitals will see a lower wage index in FY 2025** due to the rescission of this policy compared to about 20% of urban PPS hospitals.³

This reduction in financial support will compromise the ability of these hospitals to deliver essential services to their communities. For the lowest quartile of low wage index hospitals, which includes 113 hospitals, the FY 2025 wage index will decrease by more than 5% from their FY 2024 wage index.³ Although CMS is implementing a safeguard to ensure these hospitals receive at least 95% of their previous wage index, the overall decrease undermines efforts to address wage disparities.⁴ Further, we are disappointed that CMS' proposed safeguard will only help 28 rural hospitals. It is imperative for CMS to find sustainable solutions that effectively support their operational viability.

B. Changes to Prospective Payment Rates for Hospital Inpatient Operating Costs for Acute Care Hospitals for FY 2025

NRHA is concerned about the substantial decrease in the IPPS payment rate due to vacating the low wage index policy. Across the country, CMS projects that rural hospitals will see a -0.4% decrease to the payment update finalized for FY 2025 in August. The actual payment rate rural hospitals will receive during FY 2025 is only 2.2% higher than FY 2024. For the reasons discussed above, this reimbursement rate is not sufficient to support rural hospitals.

As we stated in our comment on the proposed FY 2025 IPPS rule,⁵ NRHA recommends that CMS consider how it can use its regulatory authority to boost payments to rural hospitals. Given the historical discrepancies between the projected and actual market basket indexes, hospitals need an adjustment to account for past inadequate payments. Section 1886(d)(5)(I)(i) of the Social Security Act gives the Secretary the authority to make any additional exceptions or adjustments to payments under subsection (d) as deemed necessary.⁶ This would include the IPPS standardized payment amounts.

Understanding CMS's Position and Urging Future Action

The consequences of the rescission of the low wage index policy for rural healthcare providers is of significant concern. Rural hospitals are more vulnerable than their urban counterparts, and losing

³ See George Pink & Ann Howard, *Types of Rural and Urban Hospitals and Counties Where They Are Located*, NORTH CAROLINA RURAL HEALTH RESEARCH CENTER, UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL (July 2022), <https://www.ruralhealthresearch.org/alerts/497> (901 PPS hospitals are located in rural areas and 323 are impacted by the end of the low wage index policy compared to 445 urban PPS hospitals impacted out of all 2,060 urban PPS hospitals).

⁴ Hall Render, *CMS's Interim Final Rule Abandons Low Wage Index Hospital Policy*, (Oct. 15, 2024), <https://hallrender.com/2024/10/15/cmss-interim-final-rule-abandons-low-wage-index-hospital-policy/>;

⁵ <https://www.ruralhealth.us/getmedia/fdb027e0-cd6e-42a6-8874-a965c1f8084e/NRHA-FY25-IPPS-comment-6-10-2024.pdf>.

⁶ 42 U.S.C. § 1395ww(d)(5)(I)(i) (2018) ("The Secretary shall provide by regulation for such other exceptions and adjustments to such payment amounts under this subsection as the Secretary deems appropriate").



this policy magnifies the challenges they already face. The policy's vacatur proves the need for alternative solutions that address wage disparities without conflicting legal constraints. NRHA is committed to working alongside members of Congress to codify CMS' authority to implement the low wage index policy in the future. Additionally, we encourage CMS to explore other mechanisms to support rural hospitals in future rulemaking. Without proactive measures, rural providers will continue to face increasing financial hardships, which could lead to further closures and a reduction in access to essential healthcare services.

Thank you for the opportunity to comment on this interim final rule. We remain committed to working with CMS to develop solutions that ensure rural hospitals remain viable and capable of meeting the needs of their communities. If you have any questions or would like to discuss further, please contact NRHA's Government Affairs and Policy Director Alexa McKinley Abel at amckinley@ruralhealth.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Alan Morgan".

Alan Morgan
Chief Executive Officer
National Rural Health Association