

November 7, 2024

The Honorable Ron Wyden
Chairman
Senate Finance Committee
221 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Jason Smith
Chairman
House Ways and Means Committee
1011 Longworth House Office Building
Washington, DC 20515

The Honorable Mike Crapo
Ranking Member
Senate Finance Committee
239 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Richard Neal
Ranking Member
House Ways and Means Committee
372 Cannon House Office Building
Washington, DC 20515

Dear Chairman Wyden, Ranking Member Crapo, Chairman Smith, and Ranking Member Neal,

The National Rural Health Association (NRHA) is writing to urge Congress to pass a legislative fix to define Rural Emergency Hospital (REH) under Medicaid statute, which would allow state Medicaid agencies to pay REHs at rates comparable to the services provided.

NRHA is a non-profit membership organization with more than 21,000 members nationwide that provides leadership on rural health issues. Our membership includes nearly every component of rural America's health care, including rural community hospitals, critical access hospitals, doctors, nurses, and patients. We work to improve rural America's health needs through government advocacy, communications, education, and research.

NRHA has heard from members regarding concerns over Medicaid reimbursement for REH services. When the REH designation was created under the Consolidated Appropriations Act of 2021 it was not defined as a provider type within the Medicaid program. The Centers for Medicaid and CHIP Services (CMCS) stated that because REHs are not included as hospitals and have separate COPs, they cannot fit under the inpatient or outpatient hospital services benefit under Medicaid. Instead, CMCS has interpreted that REHs should be paid by state Medicaid agencies under the clinic services benefit.¹ State Medicaid agencies may submit state plan amendments to increase the clinic services payment rate for REHs subject to an upper payment limit (UPL). This would allow states to pay REHs the Outpatient Prospective Payment System (OPPS) plus five percent rate that REHs receive from Medicare; however, it doesn't allow REHs to receive other benefits under Medicaid that would otherwise be afforded to rural hospitals. Additionally, state Medicaid agencies cannot use federal matching funds for this cost and must shoulder the difference between the clinic services rate and the OPPS plus 5% rate. Most state budgets would not allow for state Medicaid agencies to cover this gap, rendering the state plan amendment "fix" useless.

¹ <https://www.medicaid.gov/resources-for-states/downloads/covid19transcript04022024.pdf>

REHs must be added to Medicaid statute as hospital through legislation in order to resolve this issue, which cannot be effectively addressed at the state level. NRHA calls on Congress to pass a legislative fix adding REHs to the Medicaid statute to ensure that they are classified as hospitals and will be paid by state Medicaid agencies as such.

The REH designation was created to preserve access to emergency and outpatient services in communities where a hospital may otherwise close. Since 2010, 151 rural hospitals have closed throughout the country.² Conversion to an REH is one tool for communities to retain local access to care. The designation launched in January 2023 and to date 30 hospitals have found that the REH model fit their community needs and converted.³ **NRHA is concerned that without proper Medicaid reimbursement, the growth of the model will slow, hospitals will not find it financially feasible to convert, making an important strategy for keeping hospitals open no longer viable.**

We urge Congress to make this technical fix and ensure the REH designation is sustainable. Adding REHs to the Medicaid statute is a technical tweak that does not make significant changes to the REH designation. NRHA believes the fix is cost neutral and will not increase federal spending as REHs will be paid as they have been paid historically under Medicaid for outpatient services prior to conversion. NRHA supports further improvements to the Rural Emergency Hospital model through S. 4322, the Rural Emergency Hospital Improvement Act sponsored by Senators Moran (R-KS) and Smith (D-MN).

NRHA appreciates your attention to this issue. Please contact NRHA's Government Affairs and Policy Director Alexa McKinley Abel (amckinley@ruralhealth.us) with any questions or to discuss further. We thank the Committees for their continued work on behalf of rural Americans.

Sincerely,



Alan Morgan
Chief Executive Officer
National Rural Health Association

² <https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures/>

³ <https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-emergency-hospitals/>