Background
Congress has adopted several programs aimed at providing financial assistance to small, rural hospitals that face unique challenges due to their size, location and patient mix.

IHA POSITION
Programs that assist rural hospitals are important in Iowa. Several small, rural hospitals rely on this assistance to meet their unique economic challenges to provide care to patients. Congress must extend and/or make permanent these provisions to ensure access to high-quality health care services in rural area.

Medicare-Dependent Hospital (MDH) Program
Hospitals in rural areas see a higher number of Medicare beneficiaries and are therefore more financially dependent on Medicare revenue. Additionally, Medicare patients in rural areas are on average older, have lower incomes and are more likely to have chronic illness. These demographic trends present challenges to rural hospitals that are not faced by their urban counterparts including increased dependence on Medicare reimbursement and higher financial vulnerability and risk under the prospective payment system (PPS).

To address these challenges Congress passed the MDH program in 1987 to assist rural hospitals for which Medicare patients make up a significant percentage of inpatient days or discharges. The program allows MDHs to be paid for inpatient services using the sum of their PPS payment rate plus three-quarters of the amount by which their cost per discharge exceeds the PPS rate. These payments allow MDHs greater financial stability and leave them better able to serve their communities.

In Iowa, six hospitals are designated as MDHs: Keokuk Area Hospital in Keokuk, Skiff Medical Center in Newton, Spencer Municipal Hospital, Fort Madison Community Hospital, Lakes Regional Healthcare in Spirit Lake and Grinnell Regional Medical Center.

This program is set to expire March 31, 2015, The Rural Hospital Access Act of 2015 (S. 332/H.R. 663) would make the MDH Program permanent.

Low-Volume (‘Tweener’) Hospital Payments
“Low-Volume” hospitals are those who admit fewer patients, on average, than their urban counterparts. These hospitals aren’t small enough to be considered Critical Access Hospitals and aren’t large enough to remain financially viable under the PPS and are hence referred to as ‘tweeners’ because of their in-between size.
The Patient Protection and Affordable Care Act (PPACA), for FY’s 2011 and 2012, defined a low-volume hospital as one that is 15 road miles (rather than 35 miles) from another comparable hospital and has up to 1,600 Medicare discharges (rather than 800 total discharges). PPACA included an add-on payment to qualifying hospitals, ranging from 25 percent for hospitals with fewer than 200 Medicare discharges to no adjustment for hospitals with more than 1,600 Medicare discharges. Prior to 2011, the Centers for Medicare & Medicaid Services (CMS) use a narrow definition which only allowed a few hospitals in the country to qualify.

In Iowa, eight hospitals are designated as “tweeners”: St. Anthony Regional Hospital in Carroll, Keokuk Area Hospital in Keokuk, Trinity Muscatine, Skiff Medical Center in Newton, Spencer Municipal Hospital, Fort Madison Community Hospital, Lakes Regional Healthcare in Spirit Lake and Grinnell Regional Medical Center.

This program is set to expire March 31, 2015, The Rural Hospital Access Act of 2015 (S. 332/H.R. 663) would make the Tweener Payments permanent.

Rural Community Hospital Demonstration

In response to the financial concerns of small rural hospitals, Congress initiated the Rural Community Hospital Demonstration Program, a 5-year program authorized under Section 410A of the Medicare Modernization Act of 2003. The program was expanded and extended for another 5-year period under section 10313 of the Affordable Care Act beginning for each hospital with its cost report beginning on or after April 1, 2011.

To be eligible for participation in the demonstration, a hospital must: be located in a rural area; have fewer than 51 acute care beds; provide 24-hour emergency care services; and not be eligible for critical access hospital (CAH) designation. In addition, the hospital must be located in one of the 20 most sparsely populated states: Alaska, Arizona, Arkansas, Colorado, Idaho, Iowa, Kansas, Maine, Minnesota, Mississippi, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Utah, and Wyoming.

Hospitals participating in the demonstration receive reasonable cost for covered inpatient services for discharges occurring in the first cost reporting period on or after implementation of the program. For subsequent cost reporting periods, the participating hospitals receive the lesser amount of reasonable cost or the previous year’s amount updated by the inpatient prospective payment update factor for that particular cost reporting period.

In Iowa, four hospitals are part of the RCH Demonstration Project: St. Anthony Regional Hospital in Carroll, Skiff Medical Center in Newton, Lakes Regional Healthcare in Spirit Lake and Grinnell Regional Medical Center.

This program is set to expire in 2015, the Community Hospital Demonstration Extension Act of 2015 (S. 607/H.R. 672) would extend the program for an additional five years.

Contact:
Erika Eckley, Director of Government Relations/Staff Attorney at 515-288-1955 or eckleye@ihaonline.org for more information.