

# Give Rural Hospitals a Chance: Changes in Payment Policy

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# Lingering Issues Post Budget Legislation

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Continued negative Medicare margins among hospitals under 50 beds

- 2002 estimate for "all payments": -1.8%
- 2002 estimate without DSH and IME: -4.4%

MedPAC March, 2002 Report to Congress

Continued disparity in inpatient base payment

- MedPAC March report recommends phasing out

"As of 1999, rural hospital costs were 3 percent lower than large urban costs, but [aggregate] payments remained 45 percent lower."  
*MedPAC Report to Congress, March, 2002*

# Lingering Issues Post Budget Legislation (continued)

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Outpatient PPS is still coming

January 1, 2004

Considerable analysis needed and data systems need to be developed

September, 2001 RUPRI Panel recommendation to postpone PPS until analysis complete

# Specific Refinements Still Needed

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## Wage Index

- occupational mix adjustment being phased in
- MedPAC recommended full implementation in fiscal 2002

reassessment of proportion of providers' costs that are tied to national markets, lowering the labor related share to which an area wage index applies (current proposed rule *raises* the labor related share from 71.1% to 72.5%, but CMS is asking for comments on alternative methods)

MedPAC recommends examining

## Disproportionate Share Hospital payments

- Still not achieve equity with urban

MedPAC recommendation to eliminate completely the inequity in payment;  
pay all the same

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# General Issues Need to Be Addressed

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Mismatch: Small rural hospitals and PPS for all services

- MedPAC recommended low-volume adjustment in June, 2001

A down payment: 57.7% of low volume (up to 200 discharges per year) would still have negative inpatient Medicare margins

Only sure way to address is cost-based reimbursement

- Allowable and reasonable costs provides controls
- Well-managed hospitals will maintain bottom line

# General Issues Need to Be Addressed (continued)

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Hospitals anchoring other services in rural communities

- Home Health
- Ambulance services
- Hospice
- Post-acute

# Give Them a Chance

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- ❑ Adopt recent MedPAC recommendations
- ❑ Reasonable, allowable cost-based reimbursement as a baseline for small rural hospitals
- ❑ Consideration for participation in other essential services

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