Medicare Payment for Rural or Geographically Isolated Hospitals

Medicare pays most acute-care hospitals under the inpatient prospective payment system (IPPS). Some IPPS hospitals receive payment adjustments, which may help address the potential financial distress associated with rural, geographically isolated, and low volume hospitals. These Medicare payment designations are Sole Community Hospitals (SCHs), Medicare-Dependent Hospitals (MDHs), and Low-Volume Hospitals (LVHs). Other similar acute-care hospitals—Critical Access Hospitals (CAHs)—are paid based on reasonable cost, not under IPPS.

### 2021 Medicare Hospital Payment

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<tr>
<td>CAH</td>
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</table>

A predetermined, fixed, per discharge payment for inpatient services furnished to Medicare beneficiaries, subject to adjustments.

### HOSPITAL DESIGNATION LOCATIONS

- **Sole Community Hospital (SCH)**
- **Medicare-Dependent Hospital (MDH)**
- **Low-Volume Hospital (LVH)**
- **Critical Access Hospital (CAH)**

### ELIGIBILITY CRITERIA

- **Sole Community Hospital (SCH)**
  - Meets one of the following four criteria:
    - Greater than 35 miles from another IPPS hospital
    - Rural and 25–35 miles from another hospital and
      - The exclusive hospital provider in the area, or
    - Greater than 50 beds, meets exclusive hospital provider criteria but for patient transfer to other hospitals for specialized care
    - Rural and 15–25 miles from a hospital that is inaccessible
    - Rural and ≥45 minute drive to nearest other hospital

- **Medicare-Dependent Hospital (MDH)**
  - Meets all of the following criteria:
    - Rural
    - ≤100 beds
    - Not an SCH
    - ≥60% are Medicare patients

- **Low-Volume Hospital (LVH)**
  - Meets all of the following criteria:
    - Greater than 15 miles from another IPPS hospital
    - <3,800 annual total discharges

- **Critical Access Hospital (CAH)**
  - Meets all of the following criteria:
    - Rural
    - ≤25 inpatient beds
    - 24/7 emergency services
    - Average length of stay ≤30 hours
    - Average drive from another IPPS hospital or CAH, or
    - >15 mile drive in mountains or
    - Designated as a “necessary provider” before 1/1/2006

### ADJUSTED PAYMENT

- **Sole Community Hospital (SCH)**
  - IPPS FY92 FY87 FY96 FY06 rate
  - Hospital-specific rate applicable reference years
  - FF - Fiscal Year

- **Medicare-Dependent Hospital (MDH)**
  - IPPS FY92 FY87 rate
  - Hospital-specific rate applicable reference years

- **Low-Volume Hospital (LVH)**
  - IPPS FY92 FY87 rate
  - Hospital-specific rate applicable reference years

- **Critical Access Hospital (CAH)**
  - IPPS + (IPPS x Applicable %)

### NO. of HOSPITALS

- **Sole Community Hospital (SCH)**: 453 hospitals
- **Medicare-Dependent Hospital (MDH)**: 170 hospitals
- **Low-Volume Hospital (LVH)**: 621 hospitals
- **Critical Access Hospital (CAH)**: 1,350 hospitals

*Hospital-specific rate (HSR): A per discharge payment based on a hospital's average operating costs for furnishing inpatient services to Medicare beneficiaries. In contrast, IPPS is a per discharge payment based on the national average operating cost of furnishing inpatient services to Medicare beneficiaries. Both HSR and IPPS use costs from statistically defined reference years, trended forward.

Designations: In mutually exclusive Not mutually exclusive

- Number of IPPS hospitals: 2,228 (Excludes hospitals in Maryland: they are exempt from the IPPS).
- CAH groups display only discrete values found in the data.

Sources: CMS analysis of relevant statutes, regulations, and Centers for Medicare & Medicaid Services (CMS) Medicare Program: Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System and Final Payment Changes and Fiscal Year 2021 Medicare Fee-For-Service Reporting and Medicare and Medicaid Promoting Interoperability Program Requirements for Eligible Hospitals and Critical Access Hospitals, 23 Federal Register 54602, September 16, 2008. CAH data as of October 2020 provided by the Flex Monitoring Team—an academic consortium—funded by the Federal Office of Rural Health Policy.

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