

## Summary of the Rural Community Hospital Assistance Act – H.R. 937

The Rural Community Hospital Assistance Act (RCHAA) has a number of facets. It strengthens the Critical Access Hospital (CAH) program by enhancing CAH reimbursement and permitting some needed changes in their operations. It also creates a new hospital payment status called Rural Community Hospital (RCH) and establishes reimbursement mechanisms that will allow these small hospitals to continue to serve the needs of their communities.

The following summarizes the current status of CAH criteria and reimbursement, describes the changes affecting CAHs under the RCHAA and describes the new RCH created by the bill.

The changes under the RCHAA are in **bold** and the bill's section numbers are in [brackets].

Where the reimbursement system is more favorable to CAHs than to RCHs, those areas are **highlighted**.

Area of Impact	Critical Access Hospital	Rural Community Hospital
<b>Criteria for designation</b>	<ul style="list-style-type: none"> <li>• 15 or fewer acute care beds</li> <li>• Up to 25 beds if the facility is certified for swing beds (which can be used interchangeably for acute or skilled level care), provided no more than 15 beds are used at any one time for acute care patients</li> <li>• Must be classified as a rural hospital</li> <li>• Located in a state that has established a state rural health plan</li> <li>• Makes available 24 hour emergency services</li> <li>• Located 35 miles or more from any other hospital or CAH (or, in mountainous terrain or areas with only secondary roads, 15 miles) or is certified by the state as a necessary provider</li> <li>• No more than 96-hour average length of stay limitation</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Must have 50 or fewer acute care beds as reported on the cost report</b></li> <li>• <b>Must be classified as a rural hospital</b></li> <li>• <b>Makes available 24 hour emergency services</b></li> <li>• <b>Is an existing hospital at time of enactment</b></li> <li>• <b>Requests designation as a RCH [Sec. 2.(a)]</b></li> </ul>
<b>Certification status</b>	<ul style="list-style-type: none"> <li>• CAH is a Medicare certification status</li> <li>• A hospital applying for CAH status must be surveyed and certified as a CAH</li> <li>• <b>Medicare conditions of participation for CAHs are much more flexible than they are for hospitals</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>RCH is a payment status</b></li> <li>• No change in certification status occurs</li> <li>• RCHs must continue to meet all hospital conditions of participation</li> </ul>

Area of Impact	Critical Access Hospital	Rural Community Hospital
<b>Reimbursement for inpatient acute care services</b>	<ul style="list-style-type: none"> <li>CAHs are reimbursed for inpatient services through a cost based methodology rather than the Inpatient Prospective Payment System (PPS) which is based on Diagnosis Related Groups (DRGs)</li> </ul>	<ul style="list-style-type: none"> <li><b>The same cost based payment methodology would be available RCHs [Sec. 2.(b)(1)]</b></li> </ul>
<b>Reimbursement for outpatient acute care services</b>	<ul style="list-style-type: none"> <li>CAHs are reimbursed for outpatient services through a cost based methodology rather than the Outpatient PPS which is based on Ambulatory Payment Classifications (APCs)</li> <li><b>Patient coinsurance is generally 20% of charges (except for lab services) which simplifies CAH billing</b></li> </ul>	<ul style="list-style-type: none"> <li><b>The same cost based payment methodology would be available to RCHs [Sec. 2.(b)(2)]</b></li> <li><b>Patient coinsurance liability will be the same as under the APC system [Sec. 2.(c)]</b></li> </ul>
<b>Reimbursement for ambulance services</b>	<ul style="list-style-type: none"> <li>CAH ambulance reimbursement is presently a cost based system (subject to limits) which is rapidly transitioning to the new ambulance fee schedule</li> <li>If no other ambulance service within 35 miles the CAH is exempt from the limits and new fee schedule and is reimbursed under a fully cost based methodology</li> <li><b>The bill would remove the 35 mile test and allow all CAH ambulance services to be fully cost reimbursed [Sec. 4.(e)]</b></li> </ul>	<ul style="list-style-type: none"> <li><b>RCHs would be reimbursed for ambulance services under the same cost based methodology [Sec. 2.(d)(2)(B)]</b></li> </ul>
<b>Reimbursement for home health services</b>	<ul style="list-style-type: none"> <li>CAHs are presently paid for Home Health (HH) services under the HH PPS</li> <li><b>The bill permits a CAH to make a one time election to opt out of the HH PPS and be reimbursed on a cost based methodology [Sec. 4.(b)]</b></li> <li><b>(The CAH does not have to meet the isolated agency criteria)</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Permits the RCH to make a one time election to opt out of the HH PPS and be reimbursed on a cost based methodology</b></li> <li><b>The above option is <u>only available</u> to the RCHs that meet specific criteria as an isolated home health agency [Sec. 2.(b)(3)]</b></li> </ul>
<b>Reimbursement for swing bed services</b>	<ul style="list-style-type: none"> <li><b>CAHs are paid for swing bed services under a cost based reimbursement methodology</b></li> </ul>	<ul style="list-style-type: none"> <li>RCHs will be paid for swing bed services under the Skilled Nursing PPS applicable to other hospitals</li> </ul>

Area of Impact	Critical Access Hospital	Rural Community Hospital
<b>Reimbursement for skilled nursing services provided in a skilled nursing unit</b>	<ul style="list-style-type: none"> <li>CAHs are presently paid for these services under the Skilled Nursing PPS</li> <li><b>The bill would exempt CAHs from the Skilled Nursing PPS and they would be paid under a cost based methodology [Sec. 4.(c)]</b></li> </ul>	<ul style="list-style-type: none"> <li>RCHs will be paid for skilled nursing services under the Skilled Nursing PPS applicable to other hospitals</li> </ul>
<b>Additional reimbursement for technology and infrastructure needs</b>	<ul style="list-style-type: none"> <li><b>The bill provides for payments in excess of cost reimbursement to assist in improving technology and infrastructure</b></li> <li><b>Formula is based on existing return on equity rules [Sec. 4.(f)]</b></li> </ul>	<ul style="list-style-type: none"> <li><b>The bill provides for payments in excess of cost reimbursement to assist in improving technology and infrastructure</b></li> <li><b>Formula is based on existing return on equity rules [Sec. 2.(b)(4)]</b></li> </ul>
<b>Permitting distinct part psychiatric and rehabilitation units</b>	<ul style="list-style-type: none"> <li>CAHs may not presently have distinct part psychiatric or rehabilitation units (DPUs) due to the statutory requirement that these units must be part of a hospital paid under the Inpatient PPS</li> <li><b>The bill removes the above barrier and allows CAHs to have up to 10 such beds [Sec. 3. and 4.(a)]</b></li> </ul>	<ul style="list-style-type: none"> <li><b>RCHs may have distinct part psychiatric and rehabilitation units [Sec. 3.]</b></li> </ul>
<b>Reimbursement for distinct part psychiatric and rehabilitation units</b>	<ul style="list-style-type: none"> <li><b>CAHs will be reimbursed for DPU psychiatric and rehabilitation services under the same cost based reimbursement methodology that they are paid for other services [Sec. 4.(d)]</b></li> </ul>	<ul style="list-style-type: none"> <li>RCHs will be paid for these services under the same limitations and PPS systems that apply to other hospitals</li> </ul>
<b>Reimbursement for Medicare bad debts</b>	<ul style="list-style-type: none"> <li>CAHs are presently exempt from the 30% reduction in reimbursement of Medicare hospital bad debts</li> <li>CMS issued a proposed rule Feb. 10, 2003 to extend the 30% reduction to all providers, including CAHs</li> </ul>	<ul style="list-style-type: none"> <li><b>The bill exempts RCHs from the 30% reduction in reimbursement for Medicare bad debts [Sec. 2.(b)(5)]</b></li> </ul>
<b>Reimbursement provisions specific to CAHs</b>	<ul style="list-style-type: none"> <li><b>CAHs enjoy benefits never available to other hospitals e.g. ER physician on-call cost as an allowable cost.</b></li> <li><b>Bill makes mid-level on-call cost allowable</b></li> </ul>	<ul style="list-style-type: none"> <li>The bill does not provide RCHs any of the specific reimbursement advantages CAHs enjoy, except as specifically provided for in the bill</li> </ul>