

Rural Community Hospital Demonstration Frequently Asked Questions

Will a hospital participating in the Rural Community Hospital demonstration lose its status as a Sole Community Hospital, Disproportionate Share Hospital, or Medicare Dependent Hospital?

Under the demonstration, a hospital will receive Medicare payment for inpatient services based on its reasonable costs. Since it is receiving a cost-based payment, it will not receive these add-ons associated with the Medicare inpatient prospective payment system in addition. However, if there is any reason that a hospital's status as an SCH, Medicare DSH or MDH is needed for any purpose other than for Medicare inpatient payments, CMS will certify the hospital for that status if it continues to meet those conditions.

Furthermore, Medicare outpatient payments will not be affected by the demonstration. A hospital will be able to return to sole community hospital payments at the end of the demonstration period, provided that it still meets the sole community hospital requirements.

Can a hospital that is geographically reclassified for the wage index be eligible for the Rural Community Hospital demonstration?

Yes, a reclassified hospital may be eligible for the Rural Community Hospital demonstration, so long as it meets the rural location criteria stated in section 410A of the Medicare Modernization Act.

When will hospitals be selected for the Rural Community Hospital demonstration? Will a hospital's selection lock it into participation?

The selected hospitals will be announced in early 2011. A hospital's selection for the Rural Community Hospital Demonstration will not lock it into participating in the demonstration. There will be a brief period after awards are announced when policy and administrative questions will be addressed. CMS will submit to selected hospitals a set of terms and conditions to agree to. It will then be the hospital's option whether to participate in the demonstration. The terms and conditions will include a policy on hospitals' being able to discontinue participation in the demonstration.

Will cost-based payment for Medicare inpatient services under the Rural Community Hospital demonstration include capital costs?

Yes, cost-based payment under the demonstration includes capital costs. However, hospitals should keep in mind the demonstration payment methodology under which payment for Medicare inpatient services in years 2 through 5 is the lower of the current year costs for inpatient services or a target amount, where the target amount is the first year's cost updated by the market basket update(s).

Will hospitals participating in the Rural Community Hospital demonstration program be able to participate in the ARRA Health Information Technology (HIT) Incentive payment program under Medicare?

Since hospitals participating in the demonstration are considered to be subsection (d) hospitals, they will be able to participate in the Medicare HIT incentive payment program. They will be required to follow the regulations as subsection (d) hospitals.

Will Indian Health Service or tribally operated hospitals be considered for the Rural Community Hospital demonstration?

Indian Health Service or tribally operated hospitals will be considered for the Rural Community Hospital demonstration, but, in order to participate, an Indian Health Service or tribally operated hospital must submit a full Medicare cost report.

Will participation in the Rural Community Hospital demonstration affect Medicaid reimbursement or that of other non-Medicare insurers?

Participation in the demonstration will have no effect on Medicaid reimbursement. Medicaid reimbursement for a hospital will be determined by the respective State Medicaid agency. Similarly, reimbursement policies for other third-party insurers, including Medicare Advantage, will be determined by those insurers.

Will participating hospitals under the Rural Community Hospital demonstration be able to receive cost-based payment for swing bed services?

Yes, swing bed services are included under the authorizing statute.

The requirements for the Rural Community Hospital demonstration state a limit on the number of beds for a hospital. What are the beds that count against this limit?

According to the original authorizing legislation, Section 410A of the Medicare Modernization Act, a hospital must have fewer than 51 acute care inpatient beds, as reported on its most recent cost report. Beds in a psychiatric or rehabilitation unit which is a distinct part of the hospital are not to be counted. This provision was not altered by the Affordable Care Act. The appropriate bed count is that reported on Work Sheet S-3, Part I.

Do the eligibility requirements exclude a hospital that exceeds the Rural Community Hospital demonstration's bed limit but that is downsizing its bed number?

The authorizing statute is explicit: to be eligible a hospital must have fewer than 51 acute care inpatient beds, as reported on its most recent cost report.

Is a hospital participating in the Rural Community Hospital demonstration program required to adhere to IPPS hospital conditions of participation or Critical Access Hospital conditions of participation?

Hospitals participating in the demonstration are required to follow the conditions of participation for IPPS hospitals.

Does discount pricing under the 340b pharmacy program apply to hospitals participating in the Rural Community Hospital demonstration?

If a hospital is already participating in the 340b program, it may continue to do so. Participation in the Rural Community Hospital demonstration program does not in and of itself confer eligibility for the 340b program.

How is a hospital to provide evidence that it is in a Federal designated rural area?

The following items can be used to provide evidence:

- An official document that shows that your hospital is reimbursed by Medicare on the basis of a rural designation;
- An official State document that shows Metropolitan Statistical Areas in your State, showing that the hospital is not in one of them;
- You can use the official Office of Management and Budget List of Metropolitan and Micropolitan Statistical Areas (google OMB Metropolitan Statistical Area), show that the city where your hospital is located is not among the Metropolitan Statistical Areas in your State;
- You can print out the display on your county from the State and County Quick Facts feature on the US Census Bureau web page. This will say whether the county is in a metropolitan statistical area.

A hospital may also meet the geographic eligibility requirement by virtue of being located in an area that is treated as rural pursuant to section 1886(d)(8)(E) of the Social Security Act.

Hospitals which claim rural designation according to Section 1886(d)(8)(E) of the Social Security Act must demonstrate their compliance with this provision, or, more specifically, with the Medicare regulation at 42 CFR 412.103.