



American Hospital  
Association

# RURAL HOSPITAL FACTSHEET

Tuesday Oct. 23, 2012

## ***Background on reauthorizing MDH and extending low-volume adjustment***

### **MEDICARE-DEPENDENT HOSPITAL PROGRAM**

The network of providers that serves rural Americans is fragile and more dependent on Medicare revenue because of the high percentage of Medicare beneficiaries who live in rural areas. Additionally, rural residents on average tend to be older, have lower incomes and suffer from higher rates of chronic illness than their urban counterparts. This greater dependence on Medicare may make certain rural hospitals more financially vulnerable to prospective payment.

To reduce this risk and support small rural hospitals for which Medicare patients make up a significant percentage of inpatient days or discharges, Congress established the MDH program in 1987. The 211 MDHs are eligible to be paid for inpatient services the sum of their prospective payment system (PPS) 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.

### **LOW-VOLUME ADJUSTMENT**

*The Patient Protection and Affordable Care Act (ACA)* improved the low-volume adjustment for fiscal years 2011 and 2012. For these years, a low-volume hospital is defined as one that is more than 15 road miles (rather than 35 miles) from another comparable hospital and has up to 1,600 Medicare discharges (rather than 800 total discharges). An add-on payment is given 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.

Medicare seeks to pay efficient providers their costs of furnishing services. However, certain factors beyond providers' control can affect the costs of furnishing services. Patient volume is one such factor and is particularly relevant in small and isolated communities where providers frequently cannot achieve the economies of scale like larger hospitals. Although a low-volume adjustment had existed in the inpatient PPS prior to FY 2011, CMS had defined the eligibility criteria so narrowly that *only two to three hospitals qualified each year*. The improved low-volume adjustment better accounts for the relationship between cost and volume and helps level the playing field for low-volume providers and also sustains and improves access to care in rural areas. If it were to expire, these providers would once again be put at a disadvantage and have severe challenges serving their communities.

**These programs expired Sept. 30 and now need to be reauthorized when Congress returns after the November elections.** *The Rural Hospital Access Act of 2012 (S. 2620)* would reauthorize both the MDH program and provide an extension of the enhanced low-volume Medicare adjustment for PPS hospitals for one year through Sept. 30, 2013. Eyeing an opportunity to get these critical programs reauthorized before Congress adjourns for the year, the bill's sponsors, Sens. Schumer and Grassley, are asking the Senate Finance Committee to work to include S. 2620 in the expected upcoming Medicare physician payment fix legislation. **We encourage you to reach out to your senators and ask them to cosign this important [letter](#) to the Senate Finance Committee.**