



American Hospital
Association

RURAL HOSPITAL ALERT

Tuesday June 19, 2012

MedPAC Rural Chapter

Presents Incomplete Picture - Renewal of Medicare Extenders Essential

On June 15, the Medicare Payment Advisory Commission (MedPAC) issued a report to Congress (http://www.medpac.gov/chapters/Jun12_Ch05.pdf) that includes a chapter on health care provided to Medicare beneficiaries living in rural America. We are disappointed to see that, in many ways, this chapter presents an incomplete picture. For example, it does not consider the fact that physicians serving rural beneficiaries are older on average than those serving urban beneficiaries. Specifically, the report does not draw the obvious next conclusion that once these physicians begin to retire in earnest, access to care in rural areas may be severely impacted, and ongoing monitoring is warranted. In addition, the report states that, in general, payments to rural health care providers are adequate because payment adequacy indicators were similar in urban and rural areas. However, comparing urban and rural areas is not a good indicator of whether payments are adequate – margins are, and both urban and rural hospitals have negative Medicare margins. Finally, although the report shows that rural hospitals have a much higher Medicare utilization than urban hospitals, it does not discuss the implication of this higher Medicare utilization combined with negative Medicare margins. These two factors taken together mean that rural hospitals are still at a disadvantage because they are disproportionately affected by Medicare payments that remain below the cost of care.

However, it is important to note that the report does not contain recommendations to Congress to repeal specific hospital provisions, instead MedPAC chose to offer principles. This allows the AHA and hospitals the opportunity to continue to advocate for specific rural policies and programs such as the Medicare-dependent Hospital, Low-volume Hospital and Sole Community Hospital programs.

The AHA last week sent letters to every member of the [House](#) and [Senate](#) in support of renewing these expiring Medicare and rural extenders. We encourage you to continue reach out to your House and Senate members on these important programs as well.

The specific extenders are:

- Payments for the technical component of certain physician pathology services.
- Ambulance add-on payments.
- The outpatient hold-harmless provision for rural hospitals and Sole Community Hospitals.
- Medicare cost payments for clinical diagnostic laboratory tests furnished in certain rural areas.
- Section 508 hospital wage index reclassifications.
- The Medicare-dependent hospital program.
- The enhanced low-volume adjustment for inpatient prospective payment system hospitals.

In addition, the letters express support for *the R-HoPE Act* (H.R.3859/S.1680), which would extend several of the provisions including the outpatient hold harmless and the direct billing for the technical component of pathology services, and for *the Rural Hospital Access Act* (H.R.5943/S.2620), which extends the Medicare-dependent hospital program and enhanced Medicare low-volume adjustment until September 30, 2013.

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