

Legislative Action Alert

December 20, 2012

SUPPORT NEEDED FOR EXTENSION OF OUTPATIENT “HOLD HARMLESS” PAYMENTS

Provision set to expire Dec. 31

As part of the AHA Advocacy Alliance for Rural Hospitals, we wanted to update you on ongoing activities on Capitol Hill. Before the end of the year, Congress still must address the Medicare physician fix and several key expiring Medicare rural extenders that are of critical importance to hospitals and the patients and communities they serve.

It is our understanding that Congress may not extend all the expiring rural provisions. The “hold harmless” transitional outpatient payments (TOPs) remain critical for small, rural hospitals, and the AHA continues to advocate for an extension of this payment. This program expires Dec. 31 for rural hospitals and sole community hospitals (SCHs) with no more than 100 beds. It expired March 1 for SCHs with more than 100 beds.

We need your help in generating support for this extension. Please contact your Senators and House member and express strong support for this provision.

BACKGROUND

When the outpatient prospective payment system (OPPS) was implemented, Congress made certain rural hospitals with 100 or fewer beds eligible to receive an additional payment adjustment, referred to as “hold harmless” transitional outpatient payments. “Hold harmless” TOPs were intended to ease the transition from the prior reasonable cost-based payment system to the OPPS. That provision originally expired Jan. 1, 2004; however, because of concerns about the financial stability of these small rural hospitals, Congress has extended the provision every year since and has subsequently expanded it to apply to equally vulnerable SCHs.

The AHA is concerned that the small rural hospitals and SCHs that are currently eligible for TOPs will be harmed if the policy is allowed to expire. Hospitals that receive TOPs already have Medicare payments that are well below their Medicare costs, with payments averaging about 82 percent of costs. If TOPs were to expire, TOPs-eligible hospitals would be subject to a cut of about 16 percent to Medicare outpatient payments. With such a large gap between payments and costs, it would be difficult for these vulnerable hospitals to continue to provide access to critical outpatient services, such as emergency department services and chemotherapy.

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