



Special Bulletin

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Office of Inspector General Work Plan for FY 2014 Targets CAHs and RHCs

The U.S. Department of Health and Human Services Office of Inspector General (OIG) recently released its [Work Plan for Fiscal Year \(FY\) 2014](#), which summarizes new and ongoing reviews and activities that the OIG plans to pursue during the current fiscal year and beyond. Included among the projects for FY 2014 are two for critical access hospitals (CAHs) and another for rural health clinics (RHCs). Below is a summary of each project.

CAHs – Payment Policy for Swing-bed Services

The OIG will compare reimbursement for swing-bed services at CAHs to the same level of care obtained at traditional skilled nursing facilities (SNFs) to determine whether Medicare could achieve cost savings through a more cost effective payment methodology. *The Medicare Prescription Drug, Improvement and Modernization Act of 2003* (MMA) allowed CAHs to receive Medicare reimbursement equal to 101 percent of reasonable cost and have up to 25 inpatient beds that could be used for acute care or swing-bed services. Unlike CAHs, traditional SNFs are reimbursed under a prospective payment system through case-mix, adjusted per-diem prospective payment rates for all SNFs.

CAHs – Beneficiary Costs for Outpatient Services

The OIG will determine the costs to Medicare beneficiaries for outpatient services received at CAHs. Medicare reimburses CAHs at 101 percent of their reasonable costs for services provided. However, beneficiaries who receive outpatient services at CAHs pay coinsurance amounts that are computed on the basis of CAHs' submitted charges, rather than the costs of the services.

RHCs – Compliance with Location Requirements

The OIG will determine the extent to which RHCs do not meet basic location requirements and the extent to which Medicare reimbursements to such clinics are occurring. *The Balanced Budget Act of 1997* (BBA) authorized the Centers for Medicare & Medicaid Services (CMS) to remove from the RHC program clinics that do not meet location requirements. In 2005, OIG recommended that CMS promulgate regulations to implement the BBA. However, CMS has yet to promulgate the final regulations. As a result, RHCs that no longer meet eligibility requirements continue to receive enhanced Medicare reimbursement.

In August 2013, the OIG published a report on eligibility of CAHs that was roundly criticized by the AHA in a [Rural Hospital Alert](#) for its lack of understanding of how health care is delivered in rural America. The role CAHs play in our nation's health care landscape is of paramount importance. The same may be said for RHCs. **The AHA will continue to strongly advocate to maintain the current CAH and RHC programs, and also for fixes to payment and administrative limitations that constrain the efficiency and effectiveness of these essential health care providers.**

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