Rural Medicare pilot tests feasibility of paying for actual cost of care

A total of 30 rural hospitals are taking part in the budget neutral program that pays higher Medicare rates.

Susan Morse, Senior Editor

Thirteen new hospitals are taking part in the Centers for Medicare and Medicaid's rural community hospital demonstration program, joining 17 others taking part in a model that tests the feasibility of reimbursing smaller hospitals at higher Medicare rates.

The demonstration pays Medicare inpatient rates that reflect the actual cost of care.

This cost-based Medicare reimbursement somewhat mirrors what Congress had in mind in 1997 when members established the critical access hospital designation to keep the doors open for smaller, rural hospitals.

Many CAH hospitals continue to struggle financially though they are paid at higher rates.
The rural community hospital demonstration is open to providers too large to be eligible for a critical access hospital designation.

The hospitals must have fewer than 51 acute care inpatient beds and have 24-hour emergency services available.

It tests the feasibility of establishing rural community hospitals to cover inpatient hospital services for Medicare beneficiaries. The providers are paid under a cost-based methodology for Medicare inpatient hospital services, with the exclusion of services furnished in a psychiatric or rehabilitation unit that is a distinct part of the hospital.

The demonstration is budget neutral and each year is included in the final rule for the Medicare inpatient prospective payment system.

Priority is given to hospitals among the 20 states with the lowest population density. These are Alaska, Arizona, Arkansas, Colorado, Idaho, Iowa, Kansas, Maine, Mississippi, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Vermont, and Wyoming.

A maximum of 30 hospitals is allowed to participate.

CMS conducted three previous solicitations for applications, in 2004, 2008 and in 2010. The program was most recently extended in 2016 under the 21st Century Cures Act.

CMS issued a solicitation for additional hospitals on April 17, with applications due on May 17.

The 13 new hospitals selected for participation which began on October 1, the start of the first cost reporting period, are: Montrose Memorial Hospital in Colorado, Trinity Regional Medical Center in Iowa, St. John's Medical Center in Wyoming, Valley View Hospital in Colorado, Great Plains Regional Medical Center in Oklahoma, The Aroostook Medical Center in Maine, Anderson Regional Medical Center in Mississippi, McPherson Hospital in Kansas, Avera St. Luke's Hospital in South Dakota, Highland Community Hospital in Mississippi, Morton County Health System in Kansas, St. Anthony Summit Medical Center in Colorado and Avera Queen of Peace Hospital in South Dakota.

They join 17 hospitals that are continuing participation: Central Peninsula Hospital in Alaska, Bartlett Regional Hospital in Alaska, Brookings Health System in South
Dakota, Columbus Community Hospital in Nebraska, Delta County Memorial Hospital in Colorado,

Yampa Valley Medical Center in Colorado, St. Anthony Regional Hospital and Nursing Home in Iowa, Grinnell Regional Medical Center in Iowa, Skiff Medical Center in Iowa, Lakes Regional Healthcare in Iowa, Mercy Hospital Fort Scott in Kansas, Geary Community Hospital in Kansas, Bob Wilson Memorial Grant County Hospital in Kansas, Inland Hospital in Maine, Maine Coast Memorial Hospital in Maine, Marion General Hospital in Mississippi and Alta Vista Regional Hospital in New Mexico.