



# Medicare Issues for State Offices of Rural Health

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## Overview

- ORHP Policy Research Activities
- Medicare Rural Background
- Rural Medicare Provisions
- Medicare Resources



## **ORHP Policy Research Activities**

- Conduct rural health services research
- Review and comment on regulations
- Review Legislation and Reports to Congress
- Work with the Centers for Medicare and Medicaid Services (CMS) & HHS to provide a rural context
- Serve as HHS wide resource on rural health services and data issues
- Staff the National Advisory Committee on Rural Health and Human Services



## **Rural Medicare Basics**



## Rural Economic Characteristics

- In 2002 the median income of rural households was approximately \$34,500, nearly \$11,000 less per year than urban households.
- Rural residents are also more likely to have incomes below the federal poverty level compared to urban residents (14.2% vs. 11.6% prevalence).
- Economic vitality depends on population growth. Between 2000 and 2005, the population growth in rural areas was 2.2% compared to 6.0% population growth in urban areas.
- Unemployment rates were consistently higher in rural areas from 1996 to 2002.



## Medicare Characteristics

- In 2009, there were approximately 47 million beneficiaries enrolled in Medicare.
- In 2005, close to one-fourth of all beneficiaries resided in rural areas.
- Rural Medicare beneficiaries are more likely to be white (86% vs. 76%), to report being in poor health (12% vs. 8%), and to have incomes below 125 percent of poverty (28% vs. 24%) compared to urban beneficiaries.

Sources: MedPAC. A Data Book: Healthcare Spending and the Medicare Program, June 2008.  
Campbell, Y; McBride, T; Mueller, K. "Rural Enrollment in Medicare Advantage Continues to Grow Rapidly in 2008, Led by Private Fee-for-Service Plans." RUPRI Policy Brief No. 2008-3. August 2008.  
Klepser, D; Xu, Liyan; Ullrich, F; Mueller, K. "Independently Owned Pharmacy Closures in Rural America." RUPRI Policy Brief No. 2008-2, July 2008.



## Rural Implications of Medicare

- Rural residents on average tend to be older, lower income, and suffer from higher rates of chronic illness than their urban counterparts.
- 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.
- Most rural hospitals and health care delivery systems are heavily dependant on Medicare revenues.
- In some rural communities, Medicare payments can account for as much as 60 percent of in-patient revenues for small rural hospitals.

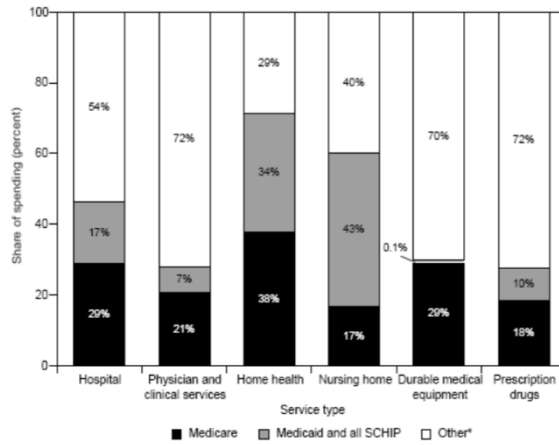


## Medicare Structure

- Medicare consists of four parts:
  - Part A (Hospital Insurance Program): Covers inpatient hospital services, skill nursing facility, home health, and hospice care
  - Part B (Supplementary Medical Insurance): Covers physician, outpatient, home health, and preventative services
  - Part C (Medicare Advantage Program): Allows beneficiaries to enroll in a private plan (e.g. HMO, PPO, PFFS)
  - Part D (Outpatient Prescription Drug Benefit): Provides a standard drug benefit through private PDP or MA-PD plans.



### Medicare's share of total spending by type of service, 2006



Note: Personal health spending includes spending for clinical and professional services received by patients. It excludes administrative costs and profits. Totals may not sum to 100 percent due to rounding.  
\*Other includes private health insurance, out-of-pocket spending, and other private and public spending.

Source: CMS, Office of the Actuary, National Health Expenditure Accounts, 2008.



### Non-Metro CAH-PPS Hospital Services

	Health Clinics	Psych	Rehab	SNF	NF	Home Health (HH)	Hospice (H)	Total
<b>PPS</b>	258 24.5%	301 28.6%	208 19.8%	303 28.8%	32 3.0%	487 46.3%	212 20.2%	1051 100.0%
<b>CAH</b>	455 35.7%	79 6.2%	20 1.6%	321 25.2%	40 3.1%	524 41.1%	171 13.4%	1276 100.0%

	Have all 7	Have any 6	Have Clinic, Psych, Rehab, SNF & NF	Have SNF, NF, HH, & H	Have Psych & Rehab	Have SNF & NF	Have HH & H	Have None
<b>PPS</b>	0 0.0%	8 0.8%	0 0.0%	10 1.0%	118 11.2%	26 2.5%	192 18.3%	231 22.0%
<b>CAH</b>	0 0.0%	0 0.0%	0 0.0%	3 0.2%	13 1.0%	16 1.3%	153 12.0%	572 44.8%

Source: Cost report data from December 2005.



# Rural Medicare Provider Types



## Rural Provider Types

### **HOSPITAL**

- Critical Access Hospital (CAH)
- Sole Community Hospital (SCH)
- Disproportionate Share Hospital (DSH)
- Rural Referral Center (RRC)
- Medicare Dependent Hospital (MDH)
- Rural Prospective Payment Hospital

### **PHYSICIAN**

- Bonus Payments
  - Shortage Areas
  - Patient Mix
- Graduate Medical Education (GME) Payments to Hospitals

### **AMBULATORY**

- Rural Health Clinics (RHC)
- Federally Qualified Health Centers (FQHC)
- Community Health Centers (CHCs)

### **POST-ACUTE**

- Skilled Nursing Facility (SNF)
- Home Health Agency (HHA)
- Hospice
- Swing Beds



## Medicare Rural Provider Types: Hospitals

- Critical Access Hospital (CAH)
- Sole Community Hospital (SCH)
- Disproportionate Share Hospital (DSH)
- Rural Referral Center (RRC)
- Medicare Dependent Hospital (MDH)
- Rural Prospective Payment Hospital (PPS)



## Critical Access Hospital

- Size Requirements: maximum of 25 beds
- Distance Requirements: 35/15 miles
- Annual average LOS of up to 96 hours
- 24-hour emergency services
- Receive cost-based reimbursement:
  - Cost plus 1%
- FLEX program
  - Funding for conversion to CAH, networking, quality, EMS
  - FLEX Monitoring Team maintains data of CAHs
- 1,305 CAHs nationwide as of July, 2009



## **Medicare Rural Provider Types: Ambulatory**

- Rural Health Clinics (RHC)
- Federally Qualified Health Centers (FQHC)/  
Community Health Centers (CHCs)
- FQHC Look Alike
- Physician Payments:
  - HPSA Bonus Payments
  - Graduate Medical Education Payments to hospitals



## **Medicare Rural Provider Types Post-Acute**

- Skilled Nursing Facility (SNF)
- Home Health Agency (HHA)
- Hospice
- Swing Beds



## Key Medicare Regulations Impacting Rural Providers



## Key Rural Regulatory Issues

- Inpatient Hospital Payment
- Outpatient Hospital Payment
- Physician Payment
- Rehab Payment
- Psych Payment
- Skilled Nursing Facility and Long Term Care Payments
- Ambulance Fee Schedule
- Medicare Advantage
- Medicare Part D
- Rural Health Clinics
- Federally Qualified Health Centers
- Medicaid Waivers
- Medicare GME



## Rural Relevant Medicare Regulations

Regulation	Proposed	Pub Date	Eff. Date
Inpatient Prospective Payment System	April	August	October
Outpatient Prospective Payment System	July	November	January
Skilled Nursing Facility Prospective Payment System	April	July	October
Home Health Prospective Payment System	May	September	October
Inpatient Rehabilitation Facilities	April	August	October
Inpatient Psychiatric Facility Prospective Payment System	January	March	July
Physician Fee-Schedule	July	November	January
Rural Health Clinics & FQHCs	N/A	N/A	N/A
Hospice	N/A	N/A	N/A



## Rural Hospital Provisions

- Outpatient Hold Harmless Hospital Payments (expired)
- Cost-based payments for lab services in CAHs as part of Outpatient services
- Technical Component of Physician Pathology Services (expired)



## Rural Ambulance Provisions

- CAH Ambulance Mileage Requirements
- Ambulance Fee Schedule
  - Rural Adjustment Factor
  - 3% Rural add-on (expired)
  - 25% increase after 50<sup>th</sup> mile (expired)
- “Super Rural Bonus”- 22.6% (expired)
  - Specified low-volume areas of lowest 25% of rural population



## Rural Physician Payment

- Floor of 1.0 for Work Geographic Practice Cost Index (GPCI) (expired)
- Bonus Payments:
  - Primary/Specialty Provider Scarcity Area Bonus Payment- 5% (expired)
  - Health Professional Shortage Area (HPSA) Bonus Payment- 10%



## Other Rural Payments

- 5% Home Health Add-on Payment (expired)
- Rural Health Clinic Payments
  - Medicare payment mechanism is a modified cost-based method of payment
  - Subject to a maximum payment per visit and annual reconciliation 1/1/10 \$77.76
  - Provider-based RHCs to hospitals 50 beds or less



## CMS Rural Resources

- CMS Rural Health Council
  - CMS Regional Office Rural Liaisons
- CMS Rural Open Door Forum- Sign up at:
  - <http://www.cms.hhs.gov/OpenDoorForums>
- CMS Website Rural Health Center
  - <http://www.cms.hhs.gov/center/rural.asp>



## RHC Technical Assistance Series

- Help for Rural Health Clinics through free quarterly technical assistance conference calls
- Topics include HIT incentive payments, NHSC enrollment, billing, etc.



A Rural Health Clinic in Michigan

[http://www.narhc.org/members/orhp\\_series.php](http://www.narhc.org/members/orhp_series.php)



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