



KEY PROVIDER ISSUES IN HEALTH CARE REFORM

April 2010

RURAL COMMUNITY HOSPITAL DEMONSTRATION PROGRAM

In 2010, CMS was scheduled to end a demonstration project that provided CAH-like status to ten hospitals. Instead, the law will extend the demo for five years, expand the maximum number of participating hospitals to 30, and expand the list of eligible states from 10 to 20. State eligibility is based on population density; recent Census estimates suggest that the eligible states are likely to be as follows

Alaska	S. Dakota	Nevada	Maine	Arkansas
Wyoming	New Mexico	Utah	Colorado	Arizona
Montana	Idaho	Kansas	Oklahoma	Mississippi
N. Dakota	Nebraska	Oregon	Iowa	Minnesota

CMS will reopen the demo and solicit applications for new hospitals

To apply, hospitals must

- be located in a rural area of an eligible state;
- have fewer than 51 acute care beds, as reported in its most recent cost report;
- make available 24-hour emergency care services; and
- be ineligible for CAH designation, or has not already become a CAH.

Hospitals will be asked to describe how they would use the new funding--for staffing or community outreach, for example. If they are financially stressed, they will be asked to demonstrate whether they can remain viable with the new funding. Also, they will be asked how the hospital collaborates with other providers in the community to contribute to population health.

The Current CMS CAH demonstration project

There are currently 10 hospitals participating in the program; they will remain unless they opt-out. Hospitals in the demonstration receive payment for inpatient services, with the exclusion of services furnished in a psychiatric or rehabilitation unit that is a distinct part of the hospital, using the following rules

- Reasonable cost for covered inpatient services, for discharges occurring in the first cost reporting period on or after the implementation of the program;
- For subsequent cost reporting periods, the lesser amount of reasonable cost or the previous year's amount updated by the inpatient prospective payment update factor for that particular cost reporting period.

For information, visit www.strategichealthcare.net, or contact Sharon Cheng, Vice President, Strategic Health Care, at 202-266-2615 or at sharon.cheng@shcare.net.