Provisions Impacting CAHs in the Year-End Spending Bill

January 19, 2021

The omnibus spending bill signed into law (P.L. 116-260) on December 27 included all 12 fiscal year 2021 appropriations bills, coronavirus relief, and many health care provisions. Below are some key provisions impacting CAHs. We expect regulations will be proposed later this year to implement these provisions.

Join the CAH Coalition conference call to learn more – Wednesday, February 3 at 3:00 PM ET.

Medicare Payment for Rural Emergency Hospital Services

Section 125 creates a new, voluntary Medicare payment designation that allows either a Critical Access Hospital (CAH) or a small, rural hospital with less than 50 beds to convert to a Rural Emergency Hospital (REH) to preserve beneficiary access to emergency medical care in rural areas that can no longer support a fully operational inpatient hospital. REHs can also furnish additional medical services needed in their community, such as observation care, outpatient hospital services, telehealth services, ambulance services, and skilled nursing facility services. REHs will be reimbursed under all applicable Medicare prospective payment systems, plus an additional monthly facility payment and an add-on payment for hospital outpatient services. Click here– see Section 125 on pages 2187-2206.

Rural Health Clinic Payments

Section 130 implements a Rural Health Clinic (RHC) payment reform plan. It phases-in a steady increase in the RHC statutory cap over an eight-year period, subjects all new RHCs to a uniform per-visit cap, and controls the annual rate of growth for uncapped RHCs whose payments are above the upper limit. According to the Congressional summary, it ensures that no RHC would see a reduction in reimbursement. RHCs with an all-inclusive rate (AIR) above the upper limit will continue to experience annual growth, but the payment amount will be constrained to the facility's prior year reimbursement rate plus the Medicare Economic Index (MEI). Specifically, the policy raises the statutory RHC cap to $100 starting on April 1, 2021, and gradually increases the upper limit each year through 2028 until the cap reaches $190. This brings the RHC upper limit roughly in line with the Federally Qualified Health Centers (FQHC) Medicare base rate. In each subsequent calendar year, starting in 2029, the new statutorily set RHC cap reverts to an annual MEI inflationary adjustment.

Note that some CAHs have expressed concerns that the RHC Payment Reform makes provider based RHC's with less than 49 beds less financially sustainable for a CAH hospital. Click here – see Section 130 on pages 2224-2227.

CMS Study on Rural Hospital Payment Options

Language was included in the explanatory text of the committee report directing CMS to study and propose solutions that would allow vulnerable hospitals serving rural and underserved populations to receive relief in the near-term, as well as explore payment options that can ensure that more hospitals serving rural and underserved populations can operate in a more financially sustainable way. Click here – see p. 90.

We will discuss these issues and more on the CAH Coalition call.