The Rural Health Landscape in Jeopardy

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Rural America is not simply a "small" version of urban America. It is a unique health care delivery environment.

Rural is that place where those most in need of health care services oftentimes have the fewest options available when it comes to accessing care.

Sixty-two million Americans live and work in rural areas of the United States, and a substantial number of these areas are federally designated as Health Profession Shortage Areas. The challenge from a national perspective is how best to address the health care needs of this important population group.

Unfortunately, with the current national fiscal crisis, we may be headed in the wrong direction.

The Budget Control Act of 2011 calls for a $1.2 to $1.5 trillion reduction in federal expenditures over the next 10 years. The Joint Select Committee on Deficit Reduction – or "super committee" – has been formed and tasked with developing policies that will produce these reductions. And rural health has been targeted in various proposals to this committee and to Congress as a whole.

The specific payment reductions advocated by each proposal vary, and a number of groups have put forward various ideas. Proposals include:

- The Congressional Budget Office (CBO): Eliminate alternative hospital designations: Critical Access Hospital (CAH), Sole Community Hospital (SCH), and Medicare Dependent Hospital (MDH). This plan would reduce hospital payments by $3.8 billion in fiscal year (FY) 2012 increasing to $9.5 billion in reduced payments in FY 2021. **Total cut to rural facilities over 10 years: $62.2 billion.**
- President Obama: Starting in FY 2013, the President's plan would end add-on payments for physicians and hospitals in frontier states, reduce CAH reimbursement to 100% of reasonable cost, and end CAH reimbursement for facilities located ten miles or less from another hospital. **Total cut to rural facilities over 10 years: $6 billion**
- House Republican leadership: While specifics of the proposal were not released, House Republican leadership sought to cut $2 billion from frontier state add-on payments and $14 billion from rural hospital reimbursement structures. **Total cut to rural facilities over 10 years: $16 billion.**
- Ways and Means Democratic staff: The Democratic staff from the House Ways and Means Committee embraced the CBO recommendation. They erroneously argued that the elimination of these payment structures would be more equitable and in line with other payment reforms. **Total cut to rural facilities over 10 years: $62.2 billion.**
- Sequestration: If the super committee fails to produce sufficient savings, Medicare reimbursements will be "sequestered." An automatic cut of two percent will be instituted on all providers. **Total cut to rural facilities over 10 years: $5.9 billion.**

These various proposals to the super committee include billions in reimbursement cuts to rural health care. These proposals erroneously claim that they eliminate "higher than necessary reimbursement" to rural facilities. However, small rural hospitals, known as Critical Access Hospitals (CAHs), account for only 5.3 percent of all hospital spending while providing care for 8.7% of Medicare adjusted patient days.

Proposed cuts will exacerbate significant funding shortfalls for rural hospitals that are providing efficient services to the most vulnerable beneficiaries.

Currently, 41% of all CAHs operate at financial lose. If these proposals to cut billions in Medicare reimbursements go into effect, many more CAHs will lose money. Some will have to close their doors, further jeopardizing access to inpatient and emergency care.

Congress created the CAH designation in 1997 to prevent hospital closures, like those that occurred in the 1980s and 1990s. In those two decades, 360 rural facilities closed. From 2000 to 2009, only 43 CAHs closed proving that the CAH program is a safety net program that is working.

CAHs are vital access points for rural seniors who are, per capita, older, poorer, and sicker than their urban counterparts. Recent reports show that Medicare contributes over 40% of all revenue to CAHs, compared to 32% for urban facilities. Medicare cuts to rural hospitals will disproportionately harm these vital safety net facilities.

The National Rural Health Association (NRHA) and its more than 21,000 hospital, physician, practitioner, and patient members are urging Congress to protect the rural health care safety net.

Again, this fight is about much more than simply the existence of rural hospitals. It's about the future of health care access in small towns across America. It's not an easy fight, but most certainly a cause worth fighting for as a nation.

For more information on NRHA's efforts to protect rural health, visit www.RuralHealthWeb.org.

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