Medicare Payment for Rural or Geographically Isolated Hospitals

Medicare pays most acute-care hospitals under the inpatient prospective payment system (IPPS). Some IPPS hospitals receive payment adjustments, which may help address the potential financial distress associated with rural, geographically isolated, and low-volume hospitals. These Medicare payment designations are Sole Community Hospitals (SCHs), Medicare-Dependent Hospitals (MDHs), and Low-Volume Hospitals (LVHs). Other similar acute-care hospitals—Critical Access Hospitals (CAHs)—are paid based on reasonable cost, not under IPPS.

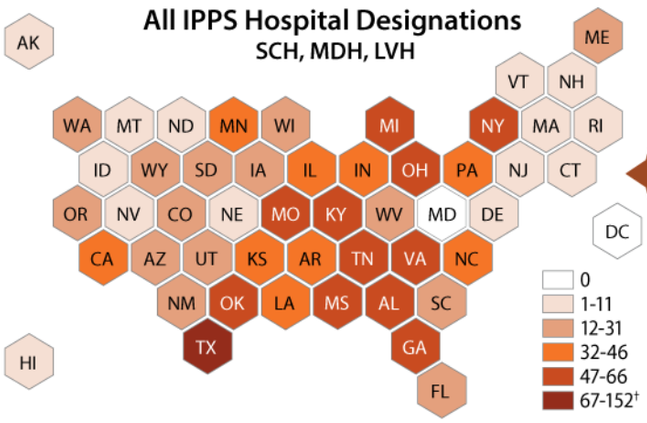
2024

Medicare Hospital Payment

IPPS
Inpatient Prospective Payment System

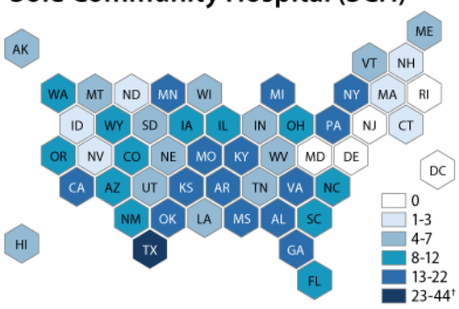
A predetermined, fixed, per discharge payment for inpatient services furnished to Medicare beneficiaries, subject to adjustments.

All IPPS Hospital Designations
SCH, MDH, LVH



HOSPITAL DESIGNATION LOCATIONS	ELIGIBILITY CRITERIA	ADJUSTED PAYMENT	NO. of HOSPITALS

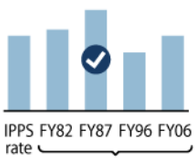
Sole Community Hospital (SCH)



Meets **ONE** of the following **FOUR** criteria:

1. > 35 miles from another IPPS hospital
2. Rural and 25-35 miles from another hospital *and*
   - Is the exclusive hospital provider in the area, *or*
   - < 50 beds, meets exclusive hospital provider criterion but for patient transfers to other hospitals for specialized care
3. Rural and 15-25 miles from a hospital that is inaccessible
4. Rural and ≥ 45 minute drive to nearest other hospital

The > of the following:

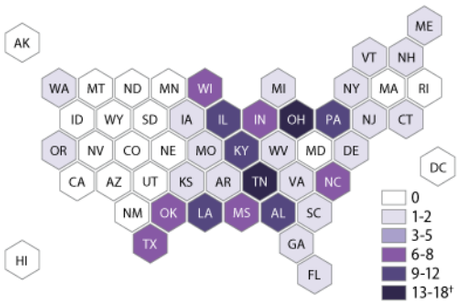


FY - Fiscal Year

465

IPPS + **15%***

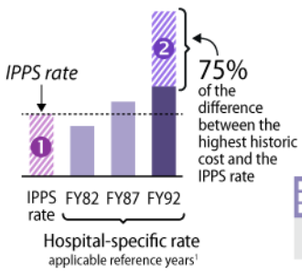
Medicare-Dependent Hospital (MDH)



Meets **ALL** of the following criteria:

1. Rural
2. ≤ 100 beds
3. Not an SCH
4. ≥ 60% are Medicare patients

MDH will expire effective January 1, 2025, if Congress does not extend the program.

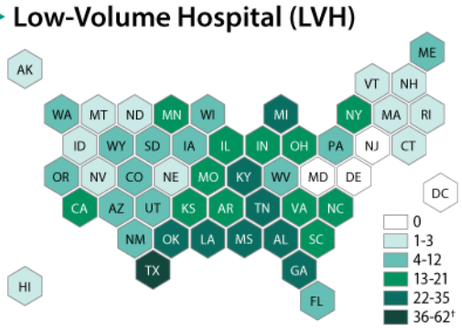


1 + 2 = $

177

IPPS + **6%***

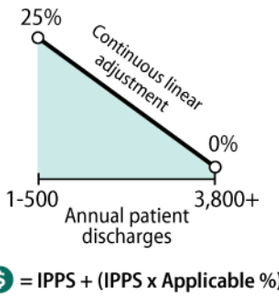
Low-Volume Hospital (LVH)



Meets **ALL** of the following criteria:

1. > 15 miles from another IPPS hospital
2. < 3,800 annual total discharges

LVH eligibility criteria are scheduled to change on October 1, 2025, if Congress does not extend the current criteria.

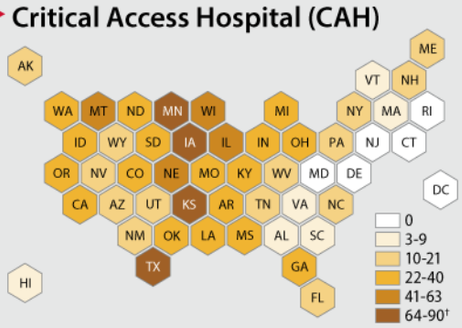


$ = IPPS + (IPPS x Applicable %)

625

IPPS + **20%***

Critical Access Hospital (CAH)



Meets **ALL** of the following criteria:

1. Rural
2. ≤ 25 inpatient beds
3. 24/7 emergency services
4. Annual average length of stay of ≤ 96 hours
5. > 35 mile drive from another IPPS hospital or CAH, *or*
   - > 15 mile drive in mountainous terrain, *or*
   - Designated as a "necessary provider" before 1/1/2006

101%
CAH's reasonable costs

1,366
% not applicable

CAHs are not paid by Medicare under IPPS.

[1]**Hospital-specific rate (HSR):** A per discharge payment based on a hospital's average operating costs for furnishing inpatient services to Medicare beneficiaries. In contrast, IPPS is a per discharge payment based on the national average operating cost of furnishing inpatient services to Medicare beneficiaries. Both HSR and IPPS use costs from statutorily defined reference years, trended forward.

Designations: ▶ *Mutually exclusive* ▶ *Not mutually exclusive* *Total number of IPPS hospitals: 3,155 (Excludes Maryland hospitals because they are exempt from IPPS.) †Class ranges display only discrete values found in the data.

Sources: CRS analysis of relevant statute, regulations, and Centers for Medicare & Medicaid Services, "FY2024 Final Rule Impact File," www.cms.gov/medicare/payment/prospective-payment-systems/acute-inpatient-pps/fy-2024-ipps-final-rule-home-page#Data; and Flex Monitoring Team, "CAH List," December 2023, www.flexmonitoring.org/historical-cah-data-0. The Flex Monitoring Team is an academic consortium funded by the Federal Office of Rural Health Policy.

Information as of November 7, 2024. Prepared by Marco Villagrana, Analyst in Health Care Financing; John Gorman, Research Assistant; Mari Lee, Visual Information Specialist; and Molly Cox, Geospatial Information Systems Analyst.

CRS

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