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Contact: Lindsey Corey
corey@NRHArural.org
913-669-2314

MedPAC's rural report is inaccurate, harmful to rural Americans

The National Rural Health Association (NRHA) and the Medicare Dependent Rural Hospital Coalition strongly contest the June 15 report to Congress that stated access to health care by rural patients and inadequacy of reimbursement rates for rural providers is no longer a concern. Access to health care by rural patients and inadequacy of reimbursements for rural providers continue to plague rural America.

“The National Rural Health Association strongly disagrees with this report,” said Alan Morgan, NRHA CEO. “Rural patients and providers will ultimately pay the price as rural hospitals will be forced to eliminate services or close their doors if this report is enacted. The Medicare Payment Advisory Commission’s (MedPAC) conclusions are counter to national data. Primary care workforce shortages remain a significant challenge in rural areas.”

The report, required under the Patient Protection and Affordable Care Act (ACA), examines health care issues in rural areas, including an evaluation of patient access to care, quality of care, and the adequacy of Medicare payments. The MedPAC report states that access to health care in rural America is no longer a significant concern and rural hospitals reimbursement rates are adequate.

According to the Rural Health Research Center, 77 percent of rural U.S. counties are defined as health professional shortage areas (HPSAs). In fact, 164 rural counties lack a primary care physician. A 2011 Department of Health and Human Services report describes the challenges of providing care in rural America as significant: “Rural areas have higher rates of poverty, chronic disease, and uninsurance, and millions of rural Americans have limited access to a primary health care provider.”

MedPAC’s report also stated that rural hospital payments and financial margins are adequate. However, recent studies indicate the opposite. One study showed that 35 percent of all rural hospitals currently operate at a financial loss.

“MedPAC’s report simply doesn’t match reality,” said Lance Keilers, CEO of Ballinger (Texas) Hospital and 2012 NRHA president. “This report lacks validity; it’s not what I see every day in rural America.”

“The MedPAC analysis comes up short, and leaves Congress and others who eagerly await these analyses wanting for more,” said Eric Zimmerman, counsel to the Medicare Dependent Rural Hospital Coalition. “To be complete and intellectually honest, MedPAC should have gone further with its analysis and provided Congress with information on how these margins would be impacted if Congress were to discontinue some of the payment protections.”

A study, conducted by McDermott Will & Emery, shows Medicare margins for Medicare Dependent Hospitals (MDHs) would degrade considerably without hospital-specific and transitional outpatient payments. Without these payments, MDH margins in 2009 would have been a negative 12.6 percent. Since at least 60 percent of an MDH’s patients are Medicare beneficiaries, MDHs would have had to achieve positive margins of 18 percent on non-Medicare patients to break even without these supplemental payments, explained Zimmerman. Without transitional outpatient payments, margins for hospitals receiving those payments in 2009 would have been a negative 16.2 percent.

“Congress needs to know the implications of eliminating these programs, and that many rural hospitals will be unsustainable at these levels of loss,” said Morgan.

The federal investment in rural communities and their health care systems benefits both rural patients and the taxpayer. Small, rural hospitals nationally have equal or better quality outcomes, and Medicare payments for all rural residents are 3.7 percent less per beneficiary than their urban counterparts, according to a recent iVantage Health Analytics study.

“These congressionally established rural payment programs for hospitals are not ‘bonus’ or ‘special’ payments, but rather alternative, cost-effective and targeted payment formulas that maintain access to care for millions of rural patients across the country,” Morgan added. “The continuation of these programs is critical to patients, providers and rural communities.”

About the National Rural Health Association

NRHA is a nonprofit organization working to improve the health and well-being of rural Americans and providing leadership on rural health issues through advocacy, communications, education and research. NRHA membership is made up of 21,000 diverse individuals and organizations, all of whom share the common bond of an interest in rural health.

About the Medicare Dependent Rural Hospital Coalition

The coalition is an informal collaboration among hospitals around the country with MDH status that is dedicated to advancing federal policies that recognize and support the unique role of these providers.