Low Volume Adjustment

March for Rural Hospitals

July 30, 2012

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Original vs. ACA Comparison

	Original / Permament FY2005-2010; FY 2013+	ACA / Temporary FY 2011-FY 2012
Distance from nearest PPS hospital	At least 25 miles	At least 15 miles
Total number of discharges	Less than 800	No limit
Total number of Medicare discharges	Less than 200	Less than 1600
Adjustment (percent of Medicare inpatient revenue)	25%	25% if less than 200 Medicare discharges; sliding scale for 200-1600[1] Medicare discharges

Formula

Medicare Discharges	Payment Adjustment Percent
1-200	25.0000
201-300	23.3333
301-400	21.6667
401-500	20.0000
501-600	18.3333
601-700	16.6667
701-800	15.0000
801-900	13.3333
901-1000	11.6667
1001-1100	10.0000
1101-1200	8.3333
1201-1300	6.6667
1301-1400	5.0000
1401-1500	3.3333
1501-1599	1.6667
1600 or more	0.0000

Example

Hospital Data	
Medicare Paid Discharges	1,350
Medicare Advantage Discharges	40
Medicare Eligible Non-Covered Discharges	10
Total Medicare Discharges	1,400
Low-Volume Payment Adjustment Add-On	5.0%
Medicare DRG Amount (Gross)	$7,500,000
Low-Volume Payment Adjustment @ 5.0%	**$375,000**

Legislative History

- 1990 – 2004
  - SCH and MDH only
  - 5% reduction in discharges from prior year
  - Unusual circumstances
  - Fully compensated for fixed costs
- 2005 – 2010 – CMS discretionary modification
  - Limited to hospitals 25 miles from like hospitals
  - Total discharges <800; Medicare discharges <200
  - 25% inpatient add-on
- 2011 – 2012 – ACA
  - Limited to hospitals 15 miles from like hospitals
  - Medicare discharges <1600
  - Sliding scale inpatient add-on (1.67% - 25%)
- 2013+
  - Back to 2005 – 2010 model

Impact by State (source: Shep Center, UNC Analysis)

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State	Number of Hospitals	*Eligible Hospitals* Permanent	*Eligible Hospitals* Temporary	*LV Adjustment Amount* Permanent	*LV Adjustment Amount* Temporary
AK	6	0	4	$ -	$ 5,444,186
AL	88	2	41	$ 402,030	$ 19,431,789
AR	46	0	15	$ -	$ 8,965,048
AZ	52	0	4	$ -	$ 3,725,836
CA	303	1	23	$ 342,259	$ 21,358,808
CO	44	1	13	$ 443,163	$ 11,525,494
CT	32	0	1	$ -	$ 973,833
DC	7	0	0	$ -	$ -
DE	5	0	0	$ -	$ -
FL	161	2	9	$ 73,071	$ 4,463,577
GA	106	0	30	$ -	$ 17,906,154
HI	13	0	3	$ -	$ 3,478,056
IA	33	0	8	$ -	$ 5,145,008
ID	13	0	1	$ -	$ 725,580
IL	127	0	11	$ -	$ 7,780,475
IN	88	0	17	$ -	$ 10,307,871
KS	54	0	21	$ -	$ 13,134,193
KY	64	0	19	$ -	$ 11,918,135
LA	95	2	24	$ 280,019	$ 12,728,204
MA	61	1	3	$ 204,992	$ 1,676,298
MD	44	0	2	$ -	$ 1,298,390
ME	20	0	6	$ -	$ 4,980,468
MI	95	0	21	$ -	$ 14,521,295
MN	49	0	18	$ -	$ 12,871,565
MO	72	0	19	$ -	$ 12,215,677
MS	64	0	31	$ -	$ 14,647,727
MT	12	0	1	$ -	$ 746,640
NC	85	0	11	$ -	$ 5,749,139
NE	21	0	1	$ -	$ 814,906
NM	25	1	11	$ 333,618	$ 8,090,279
NV	24	2	4	$ 510,822	$ 2,587,856
NY	168	0	24	$ -	$ 17,114,487
OH	131	0	21	$ -	$ 15,148,105
OK	83	2	33	$ 321,137	$ 15,195,880
OR	32	0	2	$ -	$ 2,454,556
PA	147	0	18	$ -	$ 11,644,126
RI	11	0	1	$ -	$ 3,711,744
SC	54	0	14	$ -	$ 8,529,895
SD	18	0	3	$ -	$ 1,949,686
TN	96	0	27	$ -	$ 14,729,472
TX	302	3	82	$ 620,812	$ 44,096,536
UT	32	2	12	$ 446,772	$ 6,235,005
VA	79	0	15	$ -	$ 7,869,236
VT	6	0	3	$ -	$ 3,187,609
WA	45	0	5	$ -	$ 3,471,299
WI	64	0	9	$ -	$ 6,969,493
WV	31	0	7	$ -	$ 4,009,698
WY	11	0	8	$ -	$ 8,148,671
Total	**3299**	**19**	**656**	**$ 3,978,695**	**$ 413,677,985**

Medicare Part A and B Beneficiary Expenditures

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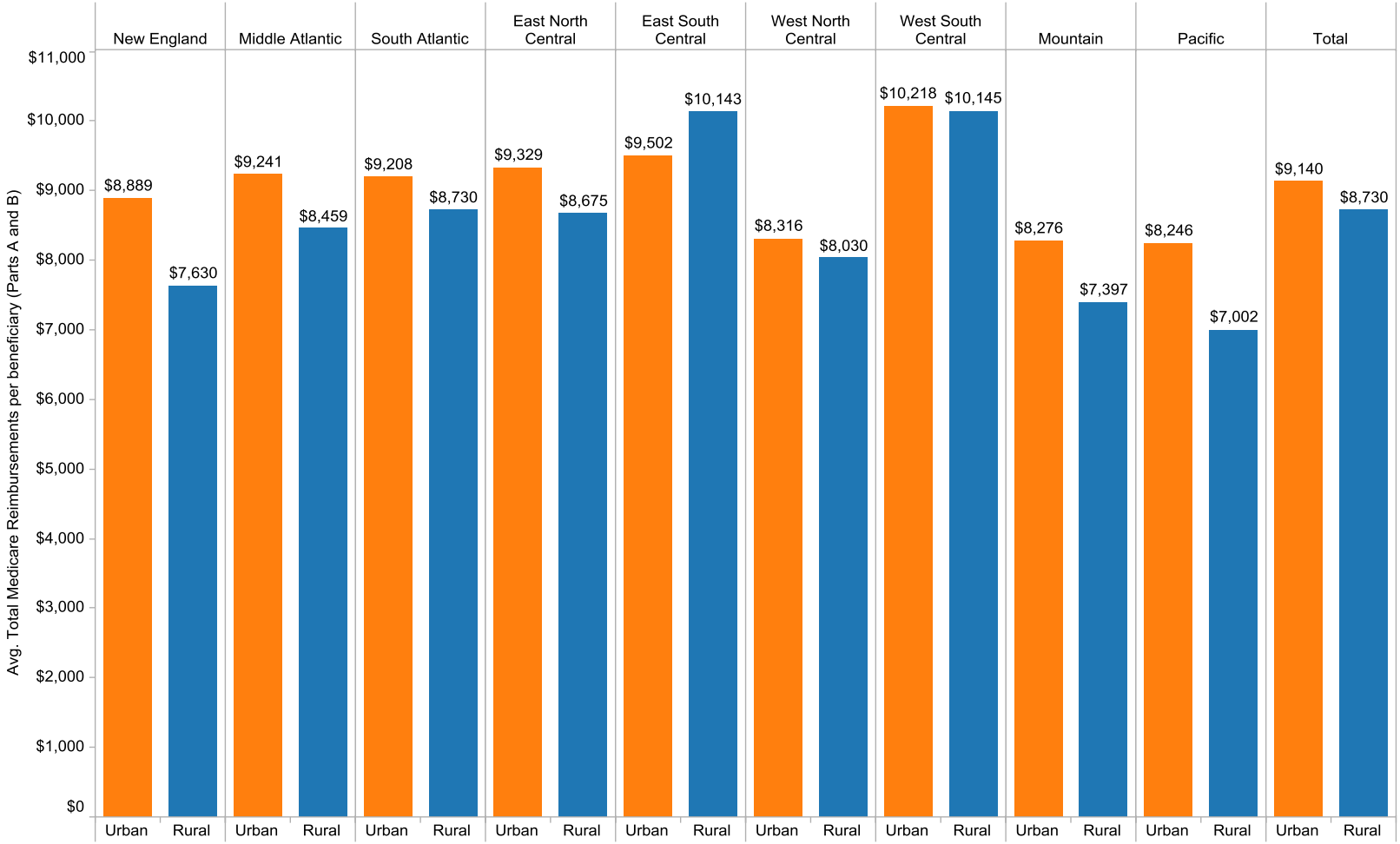

Source: The Dartmouth Atlas (Age, Sex, Race and Price-Adjusted Medicare Reimbursements per Beneficiary), weighted averages by HSA

Economic Drivers

- Economics of Rural Hospitals
  - High fixed/standby costs
  - Relatively low and declining inpatient volume
- Current impacts on rural hospital reimbursement creating vulnerability
  - High deductible health plan impact on volume
  - Rollout of Accountable Care Organizations
  - Reduced Medicare update factors (ACA)
  - RAC
  - Reduced re-admission rates
  - Sequestration
- "One size fits all" approach to hospital payment does not recognize rural hospital economics

DISCUSSION