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Protect Medicare Dependent Hospitals and Rural Patients

What is a “Medicare Dependent Hospital”?

A Medicare Dependent Hospital (MDH) is a hospital located in a rural area that participates in the Inpatient Prospective Payment System. These facilities must have fewer than 100 beds and are not allowed to be classified as a Sole Community Hospital or to participate any other alternative payment calculations. They must also meet a threshold test where at least 60% of their inpatient discharges consist of Medicare Beneficiaries. There are currently over 200 MDHs in 32 States.

History of Medicare Dependent Hospitals

During the 1980's hundreds of rural hospitals closed, and rural Americans lost access to health care. These hospitals struggled to maintain financial stability under Medicare's fee schedule because of their small size and the large share of Medicare Beneficiaries who made up their patient base. Because of their vital nature in serving the rural Medicare Beneficiary population, Congress enacted various payment modifications to help these facilities stay open and guarantee hospital access to rural Medicare Beneficiaries beginning in 1990. This designation pays hospitals based on their historical costs of providing care rather than on a prospective schedule based on what other hospitals do. This allows for more flexible staffing options relative to community need, simplifying billing procedures, long-term predictability and stability, and creating incentives to develop local integrated health delivery systems, including acute, primary, emergency and long-term care.

What does the program do?

- Increase health care access to rural Americans who are typically older, poorer and sicker than their urban counterparts.
- Allow small hospitals the flexibility to reconfigure their operations, particularly for acute inpatient care.
- Stabilize economically fragile health care facilities' total margin, cash flow margins, and liquidity
- Encourage the development of rural health networks.

Is this program successful?

Yes, The MDH program has helped end the flood of rural hospital closures during the 1980's and continues to help guarantee access to health care services in many rural areas.

Economic benefits of MDHs

Rural hospitals are one of the two biggest employers in rural areas – around 14 percent of total employment in rural communities is attributed to the health sector. In the past, a closed hospital has meant as much as a 20 percent loss of revenue in the local rural economy, a drop in the per capita income and an increase in local unemployment.

What happens if the MDH program is not reauthorized?

Reducing rates for rural providers will force many facilities to offer reduced services or close their doors, further reducing access to care for rural Americans. MDH total margins are the lowest of any hospital classification currently recognized in law. Reduced reimbursement rates will put these facilities, and the care of the Beneficiaries they serve, at extreme jeopardy.