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Report Highlights Reimbursement Challenges for Rural Hospitals

A recent report from the Center for Healthcare Quality & Payment Reform (CHQPR) highlights reimbursement challenges rural hospitals face beyond inadequate government reimbursement.

The report analyzed Medicare cost reports for hospitals across the country comparing what contributed to positive or negative hospital margins. It finds that rural hospitals face scale challenges that make care more expensive than their urban counterparts. For instance, fixed costs such as expensive medical equipment and 24/7 staffing must necessarily be supported by fewer patient services delivered. Due to their smaller size, these hospitals also tend to have lower financial reserves, making it more difficult to weather sustained losses.

A lesser-known challenge rural hospitals may face is inadequate reimbursement from commercial payors. While a typical hospital relies on higher commercial payments to offset losses from government payors like Medicare and Medicaid—which make up on average of more than 3/5 of the payor mix for an average Wisconsin hospital—some rural hospitals may actually lose money due to inadequate reimbursement from commercially insured patients as well.

The report argues that the fact that it costs more to deliver care at rural hospitals does not mean they are inefficient, but rather a reimbursement model relying on the volume of services provided does not adequately cover their fixed costs relative to the volume of patients they serve.

According to the report, one way Congress could address some of these challenges is by requiring Medicare Advantage plans to pay hospitals at least as much as fee-for-service Medicare pays for the same services. WHA has also been advocating for the Improving Seniors Timely Access to Care Act, which would streamline prior authorization for Medicare Advantage plans to reduce denials and bureaucracy for patients and providers.

Beyond that, the CHQPR also advocates for standby capacity payments that recognize the higher fixed costs rural hospitals bear in relation to the number of patients they serve. These payments would recognize that for residents to continue to want to live in rural communities, coverage doesn't necessarily equate to access if there is no emergency department or inpatient care available in a timely manner—especially when prompt access to care impacts the patient's care outcome.

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