

Rural Emergency Hospitals

At the end of 2020, the US Congress took action to recognize the need to preserve access to emergency services and higher-level outpatient services despite decreasing patient volumes and resources to support inpatient services.

The Consolidated Appropriations Act of 2021 (CAA) created the Rural Emergency Hospital (REH) model as a new Medicare provider type. Effective as of January 1, 2023, the REH model allows current Critical Access Hospitals (CAHs) and rural Prospective Payment System (PPS) hospitals with fewer than 50 beds to convert to REH status. Rural Emergency Hospitals may furnish certain outpatient hospital services in rural areas, including emergency department and observation services.

Hospitals converting to REH status will commit to:

- No provision of acute care inpatient services
- An average per patient length of stay of 24 hours or less
- A transfer agreement with a Level I or II trauma center
- A staffed emergency department, including staffing 24 hours a day, seven days a week by a physician, nurse practitioner, clinical nurse specialist or physician assistant
- CAH-equivalent Conditions of Participation (CoPs) for emergency services
- Applicable state licensing requirements (not yet developed)
- An implementation plan for conversion
- Meeting federally required quality standards

Hospitals converting to REH status may operate a distinct part skilled nursing facility (SNF) or off-campus provider-based departments. These additional departments are not eligible for the enhanced payments available to REHs (see below). A hospital which becomes an REH may convert back to a CAH or PPS hospital.

Medicare Payment Policy

Medicare will pay the new category of Rural Emergency Hospital Services (REHS) at a rate higher than the otherwise applicable payment under the Medicare Outpatient Prospective Payment System (OPPS). The CAA defines the payment for REHS beginning January 1, 2023 as the amount that would otherwise apply to covered outpatient services under the OPPS, increased by 5% to reflect the higher costs of the REH. Beneficiary coinsurance will be computed based on the OPPS methodology. In 2023, Medicare will make an additional monthly facility payment, called the Medicare subsidy, equal to the difference of all payments to CAHs in 2019 and what is estimated those CAHs would have been paid if the payments would have been made under inpatient prospective payments (IPPS), OPPS and skilled nursing facility (SNF-PPS) payment systems. The difference is divided by the total number of CAHs in 2019. In 2024 and beyond, the 2023 “base” amount will be increased by the hospital market basket percentage increase.

Brian Peters, Chief Executive Officer

Implementation

The following issues are still to be determined for REH implementation:

- What will be the complete scope of services eligible for payment at enhanced REH rates?
- What are the steps and timing considerations for conversion to an REH?
- What are the federal conditions of participation for REHs?
- What are state licensing and administrative rule requirements for REHs?
- What quality and data reporting will be required of REHs?
- What supports and timelines are in place for States to establish licensing rules?
- Will the REH be able to elect Method II payment (115% of physician fee schedule) for outpatient provider-based physician services?
- How will state Medicaid programs pay for REH services?
- How will commercial third-party payers reimburse REH services?

Questions for Members

- Are there data resources the MHA could make available to assist hospitals considering conversion to REH status?
- State law and rule are likely to need amendments. Are there existing limitations and/or administrative burdens MHA should work to address in the legislative and policy process?
- In addition to the Michigan Center for Rural Health, are there other partners the MHA should potentially help engage in the conversation about rural emergency hospitals? (E.g. Chambers of commerce, school districts, local units of government)