



# Programs Vital to Rural Hospitals

2018



## Hospital Issues

# Medicare's Special Programs are Crucial to the Survival of Maine's Small Rural Hospitals

Congress recognizes how critical Medicare is to the survival of small, rural hospitals around the country and has set up several "special reimbursement programs" in an attempt to assure that access to healthcare is maintained in rural America.

Maine hospitals benefit from three of these programs in particular – the Critical Access Hospital program (CAH), the Medicare Dependent Hospital (MDH) program and the Enhanced Low Volume Adjustment (LVA) program.

The CAH program is authorized indefinitely into the future while the MDH and the LVA programs are currently authorized by Congress through 2022. Maintaining all three programs well into the future is crucial to the future of healthcare in rural Maine.

## **Critical Access Hospitals**

Sixteen Critical Access Hospitals provide essential medical care to rural Maine. Each CAH maintains 25 or fewer beds and directly contributes an average of 329 jobs to the local economy. While their healthcare services have bolstered rural areas, CAHs are supported by a fragile financial foundation.

**Bridging Gaps in Access to Care:** CAHs' service to Maine's rural communities plays an important role in the state's healthcare landscape. Each year:

- 164,000 patients are treated in CAH emergency departments;
- 1.5 million outpatient visits are to CAHs;
- 15,000 patients are admitted to CAHs; and
- 1,300 babies are delivered at CAHs.

**Delicate Lifelines:** CAHs' small size means that they can focus only on providing the most essential medical services, in contrast to higher-volume hospitals that have more resources and flexibility to offer a wider range of services. CAHs simply do not have the same economies of scale as their larger counterparts.

More than 62% of their revenue comes from government payers, such that any payment reductions to Medicare or MaineCare would have an immense impact on CAHs' ability to provide access to beneficiaries in rural communities.

CAHs make up nearly 45% of Maine's hospitals but receive approximately 14% of total MaineCare payments to hospitals.

### **Medicare Dependent Hospital Program**

Congress created the MDH Program in 1990 as a way to support small, rural hospitals for which Medicare patients comprise a large percentage of the hospital's total patients. To qualify as an MDH, the hospital must be in a rural area, have no more than one 100 licensed beds, and have a Medicare patient census of more than 60%. Medicare pays Maine hospitals about 84% of their costs, so with a Medicare census of greater than 60%, these hospitals are more vulnerable to inadequate Medicare reimbursement than other hospitals because they are less able to "cost shift" inadequate Medicare payments to commercial insurance carriers that generally pay higher rates for services.

Today over 200 hospitals across the country qualify as MDHs, including four in Maine: The Aroostook Medical Center, Cary Medical Center, Inland Hospital and Maine Coast Memorial Hospital. Of these four, only Cary Medical Center is currently participating in the program although the other three may take advantage of it in the future.

### **Enhanced Low Volume Adjustment Program**

The LVA Program, created in 2005, provides additional payments to hospitals with fewer than 200 total discharges and are not geographically close to another hospital. The Affordable Care Act (ACA) enhanced the program, making it available to hospitals with fewer than 1,600 discharges and retained the geographic requirements. The enhanced program calculates payments on a sliding scale where hospitals with fewer than 200 total discharges receiving an ad-on payment of 25% of its normal rate and topping out when annual discharges exceed 1,600.

The enhanced program was scheduled to end on September 30, 2017 but the Bipartisan Budget Act of 2018 (BBA) extended the program through 2022. The BBA also increased the qualification threshold to 3,800 Medicare discharges as of October 1, 2018.

In 2018, six Maine hospitals, The Aroostook Medical Center, Cary Medical Center, Franklin Memorial Hospital, Inland Hospital, Maine Coast Memorial Hospital and Northern Maine Medical Center qualified for payments with three of the hospitals currently participating.

The BBA increase in the ceiling of the sliding scale to 3,600 discharges will open this additional payment to many hospitals that have not previously qualified. It should also increase the payment to hospitals that currently receive it and have not been capped at the 25% maximum. The add-on will begin at 25% for hospitals with fewer than 500 Medicare discharges and decrease to 0% for hospitals with more than 3,800 discharges.

**Bottom Line:** *These programs are vital to the Maine hospitals that qualify. Maine hospitals depend on Medicare more than hospitals in other states because of Maine's older population. In Maine, 23% of the population is on Medicare compared to only 17% nationally; our Medicare population is 35% larger than the national average. Accordingly, any negative changes to these programs disproportionately hurt Maine.*

# 2018

## MHA Member Hospitals

Acadia Hospital, Bangor  
The Aroostook Medical Center, Presque Isle  
Blue Hill Memorial Hospital, Blue Hill  
Bridgton Hospital, Bridgton  
Calais Regional Hospital, Calais  
Cary Medical Center, Caribou  
Central Maine Medical Center, Lewiston  
C.A. Dean Memorial Hospital, Greenville  
Down East Community Hospital, Machias  
Eastern Maine Medical Center, Bangor  
Franklin Memorial Hospital, Farmington  
Houlton Regional Hospital, Houlton  
Inland Hospital, Waterville  
LincolnHealth, Damariscotta & Boothbay Harbor  
Maine Coast Memorial Hospital, Ellsworth  
MaineGeneral Medical Center, Augusta & Waterville  
Maine Medical Center, Portland  
Mayo Regional Hospital, Dover-Foxcroft  
Mercy Hospital, Portland  
Mid Coast Hospital, Brunswick  
Millinocket Regional Hospital, Millinocket  
Mount Desert Island Hospital, Bar Harbor  
New England Rehabilitation Hospital of Portland  
Northern Maine Medical Center, Fort Kent  
Pen Bay Medical Center, Rockport  
Penobscot Valley Hospital, Lincoln  
Redington-Fairview General Hospital, Skowhegan  
Rumford Hospital, Rumford  
St. Joseph Hospital, Bangor  
St. Mary's Regional Medical Center, Lewiston  
Sebasticook Valley Health, Pittsfield  
Southern Maine Health Care, Biddeford & Sanford  
Spring Harbor Hospital, Westbrook  
Stephens Memorial Hospital, Norway  
Waldo County General Hospital, Belfast  
York Hospital, York



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