

# Medicare Sequestration pay-for

NRHA Factsheet and Talking Points



## What is Medicare Sequestration?

Medicare sequestration is a mandatory 2% reduction in Medicare payments for certain services. In 2011, Congress passed legislation instituting a two percent sequestration reduction to all Medicare fee-for-service payments through 2030. In 2021, through passage of the Bipartisan Infrastructure Law, Congress extended this sequestration through 2031.

## Impact on Rural

Rural hospitals heavily rely on Medicare revenue. Medicare sequestration significantly impacts rural healthcare by causing substantial financial losses for rural hospitals. Considering that over 180 hospitals have closed or ceased inpatient services since 2010, and 50% of rural hospitals are operating on negative margins, Medicare sequestration can push rural hospitals closer to closure.

Sequestration directly impacts rural hospitals' bottom line, often leading to operating losses and difficulty covering costs due to the reduced Medicare payments they receive. This can heavily limit access to medical care in rural areas and impact health outcomes. Rural hospitals are more reliant on Medicare payments, especially in comparison to urban areas. As a result, sequestration has a disproportionate effect in rural areas and rural hospitals are particularly more vulnerable to these impacts.

According to recent Chartis Center for Rural Health data analyses, sequestration will cost rural hospitals more than \$500 million this year and the equivalent of 9,000 healthcare jobs. Current Medicare sequestration policy has a disproportionate impact on Critical Access Hospitals (CAHs) nationwide. Although CAHs generally receive a higher amount from Medicare under cost-based payment compared to standard Medicare payment systems, under sequestration rules, Medicare only pays 99% of costs. Additionally, for Rural Health Clinics (RHCs), the actual Medicare payment is also reduced by 2% because of sequestration, so the Medicare share of the payment is less than 80% of the actual costs (after beneficiary co-payments)

## NRHA Stance

NRHA opposes any extension of Medicare sequestration. Knowing that sequestration policies disproportionately impact rural providers, an extension would threaten the viability of rural hospitals. NRHA has previously supported Section 101 of H.R. 6400, the Save America's Rural Hospitals Act in the 118th Congress. Section 101 would permanently eliminate Medicare sequestration for rural hospitals. Knowing that sequestration policies disproportionately impact rural providers, this provision would enhance the safety net of rural communities and provide increased financial sustainability.