December 20, 2024

Michael E. Chernew, Ph.D.
Chair
Medicare Payment Advisory Commission
425 I Street N.W., Suite 701
Washington, D.C. 20001

Dear Chairman Chernew,

The National Rural Health Association (NRHA) supports the draft recommendations for Medicare payment updates in 2026 discussed at MedPAC's December 12 – 13, 2024 meeting. We support the proposals to increase payment for hospitals paid under the Inpatient and Outpatient Prospective Payment Systems (IPPS and OPPS), safety net hospitals, and clinicians paid under the Physician Fee Schedule.

NRHA is a non-profit membership organization with more than 21,000 members nationwide that provides leadership on rural health issues. Our membership includes nearly every component of rural America's health care, including rural community hospitals, critical access hospitals, long-term care providers, doctors, nurses, and patients. We work to improve rural America's health needs through government advocacy, communications, education, and research.

Payment updates finalized for 2025 under the Medicare IPPS and OPPS were inadequate for rural hospitals in the face of rising health care costs, continued labor and supply cost pressures, and the overall inflationary environment that the country is facing. NRHA noted its concern in its comments on both the IPPS and OPPS proposed rules.

Hospital Update

NRHA is pleased to see that MedPAC discussed draft recommendations to Congress that would increase Medicare payments for OPPS, IPPS, and safety net hospitals. NRHA supports MedPAC's proposal to increase IPPS and OPPS payment by an additional 1% over the current law amount. NRHA additionally supports the proposal to increase safety net hospital payments by $4 billion and redistribute disproportionate share payments through the Safety Net Index described in the Commission's March 2023 report.

Robust payment updates such as these would be invaluable to rural hospitals. Since 2010, 182 rural hospitals have closed or ceased inpatient services.[1] Of these closed hospitals, 98 were paid under the prospective payment system (PPS) or had a special PPS designation, such as Medicare-Dependent Hospital. Further, 18 hospitals that ceased providing inpatient care were PPS hospitals. Hospital closures in rural communities decrease access to care for patients and destabilize local economies. Medicare payment reform could help mitigate further closures. Additionally, rural hospitals struggle to stay viable long before making the decision to close. Cutting services lines, like obstetrics, is one

[1] *See* https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures/, https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-emergency-hospitals/.

RuralHealth.US
50 F. St., N.W., Suite 520
Washington, DC 20001 | 202-639-0550

common way for rural hospitals to cut costs and avoid closure. Between 2011 and 2021, 25% of rural America's obstetric units closed.[2]

Physician Update

NRHA also supports the Commission's recommendations around safety net payments to physicians. The Commission first recommended this in its March 2023 Report to Congress, asking for a 15% add on for primary care clinicians and 5% for all other clinicians serving low-income beneficiaries. NRHA suggests that this recommendation set aside an additional add-on payment for rural clinicians serving rural low-income beneficiaries. NRHA also supports including the Medicare Economic Index minus 1% in the payment update for clinicians in the forthcoming Report.

NRHA encourages the Commission to adopt the recommendations discussed above and include them in the Commission's March 2025 Report to Congress.

Skilled Nursing Facility Update

In the face of immense financial challenges, rural hospitals need payment reform that will help them remain open as needed points of access to care in their communities. NRHA supports MedPAC's draft recommendations to increase payment to PPS hospitals and clinicians paid under the Physician Fee Schedule. However, NRHA encourages MedPAC to carefully consider the unique needs and challenges associated with providing care in rural areas when drafting payment recommendations for other provider types, particularly skilled nursing facilities.

NRHA does not support the -3% payment decrease recommended for skilled nursing facilities. The loss of rural skilled nursing facilities services is a growing concern. Between 2008 and 2018, 472 nursing homes in 400 nonmetropolitan counties closed in the U.S., further exacerbating the number of counties with nursing home deserts[3] and NRHA believes that this trend is continuing. Rural ZIP codes experiencing nursing home closure had higher distances to the closest nursing home providing post-acute care and long-term care services, and these differences remain even after accounting for the availability of home health agencies and hospitals with swing beds.[4] As such, NRHA requests MedPAC consider the financial state of rural, low-volume skilled nursing facilities and the potential impact on rural Medicare beneficiary access in future recommendations.

Critical Access Hospitals

In addition, NRHA supports the Commission's discussion during the September 2024 meeting regarding rural beneficiary cost sharing. NRHA is encouraged that MedPAC is exploring options to ensure access is affordable for rural beneficiaries. NRHA has supported legislation that would create equity between beneficiaries at critical access hospitals (CAHs) and PPS hospitals by changing the copayment calculation from "actual charges" to "reasonable charges."[5] We support the proposal illustrated in the model that reduces cost sharing to 20% of the payment amount, with the difference covered by the Medicare program, similar to how supplemental payments work for outpatient

---

[2] https://www.chartis.com/sites/default/files/documents/rural_americas_ob_deserts_widen_in_fallout_from_pandemic_12-19-23.pdf

[3] https://rupri.public-health.uiowa.edu/publications/policybriefs/2021/Rural%20NH%20Closure.pdf.

[4] https://onlinelibrary.wiley.com/doi/10.1111/jrh.12822

[5] https://www.congress.gov/bill/118th-congress/house-bill/833/text

RuralHealth.US
50 F. St., N.W., Suite 520
Washington, DC 20001 | 202-639-0550

services in Sole Community Hospitals. In its future cost sharing recommendations, NRHA urges MedPAC to safeguard current payments to CAHs while equalizing cost sharing obligations on rural beneficaries.

NRHA thanks MedPAC for its work to ensure rural hospital stability. If you have any questions, please contact NRHA's Government Affairs and Policy Director, Alexa McKinley Abel (amckinley@ruralhealth.us).

Sincerely,

Alan Morgan
Chief Executive Officer
National Rural Health Association