



BETTER BENEFITS – MORE CHOICES

Rural Community Hospital Demonstration Program

- ❖ The new Medicare Modernization Act (MMA) creates a 5-year demonstration to test the advisability and feasibility of establishing rural community hospitals (RCHs).
- ❖ Rural community hospitals (RCHs) are those that:
 - ✓ Are located in a rural area (or reclassified as such), with fewer than 51 acute care inpatient beds;
 - ✓ Are not currently designated or eligible for designation as a Critical Access Hospital; and
 - ✓ Make available 24-hour emergency care services.
- ❖ The program will be conducted in rural areas selected in states with low population densities, as determined by the Secretary.
- ❖ Under this provision, the Secretary of Health and Human Services is to select from among rural community hospitals that have submitted applications and up to 15 of such hospitals are to participate in the demonstration program.
- ❖ Participating hospitals will be paid on a reasonable cost basis for the first year of the demonstration. Thereafter, the hospitals will be paid at the lesser of reasonable costs or a target amount.
- ❖ The MMA requires that implementation of this program begin between October 1, 2004 and January 1, 2005.
- ❖ Within six months of completion of the demonstration, the provision requires the Secretary to submit a report to Congress, including recommendations for legislation.
- ❖ The implementation plan for the RCH Demonstration program is still under development. However, CMS is in the process of establishing an internal workgroup and developing an application process. Once the applications are received, CMS will evaluate them with the goal of implementing the program on October 1, 2004.