

S. 607, the Rural Community Hospital Demonstration Extension Act of 2015

Section 1. Short Title

Current Law

No provision

S. 607, as modified

This act would be cited as the Rural Community Hospital Demonstration Extension Act of 2015.

Sec. 2. Five-Year Extension of the Medicare Rural Community Hospital Demonstration Program.

Current Law

Section 410A of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (P.L.108-173) established the Rural Community Hospital (RCH) Demonstration Program beginning no later than January 1, 2005 for no more than 15 rural community hospitals. Section 410A defines a rural community hospital as a hospital that is located or treated as being located in a rural area, has fewer than 51 acute care inpatient beds, makes 24-hour emergency care services available, and is not eligible or not designated as a critical access hospital. This demonstration tests the feasibility and advisability of establishing “rural community hospitals” to furnish covered inpatient hospital services to Medicare beneficiaries in states with low population densities over a five-year period. Under the demonstration, participating hospitals are paid under a reasonable cost-based methodology for furnishing inpatient hospital services (excluding psychiatric or rehabilitation care) and extended care services to Medicare beneficiaries, rather than receive payment under Medicare’s prospective payment systems. Payments to the participating hospitals in their first cost reporting periods of the demonstration equal their reasonable costs of furnishing such services. Payments to the participating hospitals in each of their subsequent cost reporting periods will be the lesser amount of the reasonable costs of furnishing such services in that cost reporting period or a target amount applicable to that cost reporting period. The target amount for each participating hospital’s second cost reporting period is equal to the reasonable costs of a participating hospital’s first cost reporting period under the demonstration, increased by the applicable percentage increase in the inpatient hospital market basket update for that particular cost reporting period. Subsequent target amounts would be equal to the prior cost reporting period’s target amount increased by the applicable percentage increase in the inpatient hospital market basket update. Medicare payments under this demonstration are required to be budget neutral compared to what Medicare would have spent in the absence of this demonstration. Additionally, the Secretary is required to submit a report to Congress on the demonstration, including recommendations for legislative and administration action, no later than six months after the completion of the demonstration. The RCH demonstration is ongoing and no report has been submitted.

Section 3123 of the ACA extended the duration of the RCH demonstration for an additional five years. This provision also required the Secretary to expand participation from hospitals in states with the lowest population densities (as determined by the Secretary) from 10 states to 20 states. The ACA additionally increased the number of hospitals able to participate in the demonstration during the extension period to no more than 30 rural community hospitals. Hospitals participating in the demonstration as of the last day of their initial five-year periods were grandfathered into the extension period. Finally, the ACA rebased the reasonable costs used to determine payments and target amounts for participating hospitals under the five-year extension period to be the reasonable costs of a hospital's first cost reporting period under the five-year extension period. This five-year extension period would end by September 30, 2015 for the hospitals that were initial participants in the demonstration.

S. 607, as modified

S. 607, as modified, would extend the ACA changes to the RCH demonstration for an additional five years. In addition, hospitals that began participating in the demonstration under the ACA expansion and are participating as of the date of enactment of this legislation would be grandfathered into the second five-year extension period. The reasonable costs used to determine payments and target amounts for hospitals participating under the RCH demonstration for the second five-year extension period would be rebased to be the reasonable costs of a hospital's first cost reporting period under the second five-year extension period. The demonstration would end December 31, 2021. Further, an interim Secretary's report to Congress would be required to be submitted no later than August 1, 2018.