Congress of the United States
Washington, DC 20515

July 31, 2019

The Honorable Alex M. Azar II
Secretary
U.S. Department of Health & Human Services
200 Independence Avenue, S.W.
Washington, DC 20201

Dear Secretary Azar:

We appreciate efforts by the Department of Health and Human Services (HHS) to address rural healthcare access, workforce, and sustainability issues. However, we are concerned that such activities alone will not mitigate the current challenges and risks of closure facing our most vulnerable rural hospitals. When rural hospitals close, they rarely reopen—and these communities are left with a crumbling local economy and without emergency room access. To deliver immediate relief to the most at-risk rural hospitals, we urge HHS to utilize its existing authority to provide, on a limited basis, the flexibility for vulnerable rural hospitals to claim Medicare Critical Access Hospital (CAH) status.

In response to hundreds of rural hospital closures in the 1980's and 1990's, Congress created the CAH designation in 1997 to reduce the financial vulnerability of rural hospitals and ensure access to essential health services in rural communities. The CAH designation has been subsequently amended, including through the 2003 Medicare Prescription Drug, Improvement and Modernization Act, which ended the ability for states to waive the 35-mile distance requirement for facilities they deemed a "necessary provider" to receive CAH status. This provision went into effect on January 1, 2006.

Since 2010, there has been an alarming 108 rural hospital closures nationwide, with 11 closures already this year. Additionally, approximately 46 percent of rural hospitals are currently operating at negative margins—heightening the financial risk for these hospitals and their communities. Most of the rural hospitals that have closed, or those operating at a financial loss and at risk of closing, are not CAHs—they are rural hospitals reimbursed through the prospective payment system (PPS). According to MedPAC's 2017 revised report on the CAH Payment System, CAHs make up 61 percent of all rural hospitals but only receive 34 percent of Medicare payments to rural hospitals and only 5 percent of total Medicare inpatient and outpatient hospital spending. We believe that CAH status can provide a viable, cost-effective payment mechanism to sustain the most vulnerable rural hospitals.

We urge HHS to use its existing authority to deem, on a limited basis, certain vulnerable rural hospitals that provide essential access to care as CAHs, which may include waiving the distance requirement, reinterpreting the secondary road definition, or other flexibilities. Using such administrative flexibility, HHS could establish clear eligibility criteria, in consultation with states, to ensure an appropriate set of rural safety net facilities could access CAH status.

Working with states to identify and enable certain vulnerable necessary providers to convert to CAH could, for example, deliver relief to Iroquois Memorial Hospital in Watseka, Illinois—a small, geographically isolated, rural safety net PPS hospital that is operating under negative margins. Such criterion should be used narrowly to prioritize rural hospitals that serve populations with high poverty rates and health disparities, and for those rural hospitals that serve high numbers of Medicare and Medicaid patients. As the most stable payment system in rural America, allowing fragile rural PPS facilities to convert to CAH status will offer immediate certainty and relief to rural hospitals and communities across the nation.

We support your efforts to explore and test new solutions for rural healthcare challenges through new payment structures and demonstration programs, and we recognize that these solutions may be the most effective long-term mechanisms, but it is imperative that we utilize existing models to stop and prevent a wave of rural hospital closures as we work to analyze and critique these new solutions. The Critical Access Hospital designation is a narrow, immediate, and common-sense way to stop the bleeding of this crisis and would be a huge step in solidifying the delicate healthcare infrastructure that is so common in rural communities across the country.

We thank you for your leadership and support for rural healthcare programs and we look forward to working with you to provide relief to the vulnerable rural communities who need it most.

Sincerely,

Adam Kinzinger
Member of Congress

Richard J. Durbin
United States Senator