

Frequently Asked Questions

About Critical Access Hospitals (CAH)¹

This document provides responses to frequently asked questions concerning Medicare's reimbursement for Critical Access Hospitals.

What is a Critical Access Hospital?

The establishment of the Medicare Rural Hospital Flexibility Programs (MRHFPS)² provides a way for individual states to designate certain facilities as Critical Access Hospitals (CAH). Facilities that are state-designated and meet the Medicare CAH conditions of participation (CoP)³ will be certified as CAHs by CMS.⁴ The CAHs CoP are more flexible than those established for acute care hospitals.⁵ In order to be eligible to receive certification as a CAH, a facility must be:

- Currently participating in Medicare; or
- Non-operational during the 10-year period from November 29, 1988, through November 29, 1999; or
- A health clinic or center (as defined by the state) that previously operated as a hospital before being down-sized to a health clinic or center.⁶

A certified CAH receives cost-based reimbursement⁷ from Medicare.

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What facility requirements must be met in order to be designated by the Secretary of Health and Human Services as a Critical Access Hospital?

In determining if a facility can be designated as a CAH, the Secretary of Health and Human Services (HHS) must certify that the facility meets all of the following established criteria:

- Located in a state that has established a Medicare rural hospital flexibility program;
- Located in a rural area or be treated as rural under a special provision that allows qualified hospital providers in urban areas to be treated as rural for purposes of becoming a CAH;
- Located more than 35 miles from the nearest hospital or CAH or more than 15 miles in areas with mountainous terrain or only secondary roads OR be state-certified by December 31, 2005, as a necessary provider of healthcare services to residents in the area;
- Available for 24-hour emergency care services, using either on-site or on-call staff;
- Provides no more than 25 inpatient beds; and
- Has an average annual length of stay of 96 hours or less.⁸

¹ Information presented in this FAQ is current as of December 27, 2007. Any subsequent changes which may occur in coding, coverage and payment are not reflected herein.

² Section 1820 of the Social Security Act, as amended by section 4201 of the Balanced Budget Act of 1997 established the Medicare Rural Hospital Flexibility Programs (MRHFPS).

³ Conditions of participation (CoP) for CAHs can be found at Title 42 §485, Subpart F.

⁴ Federal Register, Vol. 71, No. 226, November 24, 2006, p. 68159.

⁵ Rural Assistance Center. Critical Access Hospital FAQs. Link: http://www.raconline.org/info_guides/hospitals/cahfaq.php.

⁶ Center for Medicare and Medicaid Services. Critical Access Hospital Fact Sheet. Medicare Learning Network, March 2007. Link: <http://www.cms.hhs.gov/MLNProducts/downloads/CritAccessHosp07factsht.pdf>.

⁷ CAH hospitals receive cost-based reimbursement for procedures of Medicare patients instead of prospective payment schedule. The prospective payment schedule system determines what amount (predetermined, fixed) the provider will receive for the services before the services are provided.

⁸ Title 42 §485.601, Subpart F and Social Security Act §1820.



What are some of the benefits of converting to a Critical Access Hospital?

Benefits associated with Critical Access Hospital status include:

- Medicare cost-based reimbursement on the basis of 101 percent of allowable and reasonable costs for most inpatient and outpatient services;⁹
- A focus on community needs;
- Establishment of agreements with acute care hospitals for support and expansion of services;
- Flexible staffing for medical staff, nurses and related services, to the extent that state licensure laws permit;
- Capital improvement costs included in allowable costs for determining Medicare reimbursement;
- Access to Flex Program grant money.¹⁰

In addition to Medicare's Rural Hospital Flexibility Grant Program, are there any additional avenues for securing capital needed for Critical Access Hospitals?

The Rural Health Care Capital Access Act of 2006 extends the Hospital Mortgage Insurance Act of 2003, which provides help to CAHs in meeting the U.S. Department of Housing and

Urban Development (HUD) Section 242 minimum eligibility requirements. The Act provides a way for CAH to access capital funding more easily and at a more favorable cost (i.e. lower interest rates) than what their credit rating would traditionally allow.

- Hospitals can apply for the HUD 242 program at any time during the year and there is no limitation on the maximum amount, except for the value of the project.
- Hospitals can use funding from the HUD 242 program to build new facilities and/or upgrade their equipment.¹¹

Where can I find a listing of CAHs?

The Rural Assistance Center maintains a list of Critical Access Hospitals which includes the hospital name, city, state, zip code and effective date of CAH status. The listing can be found at: http://www.raconline.org/info_guides/hospitals/cahfaq.php#howmany.¹²

⁹ Third party reimbursement amounts and coverage policies for specific procedures will vary by payer and by locality. Center for Medicare and Medicaid Services. Critical Access Hospital Fact Sheet. Medicare Learning Network, March 2007. Link: <http://www.cms.hhs.gov/MLNProducts/downloads/CritAccessHosp07fctsht.pdf>.

¹⁰ Rural Assistance Center. Critical Access Hospital FAQs. Link: http://www.raconline.org/info_guides/hospitals/cahfaq.php.

¹¹ U.S. Department of Housing and Urban Development. Link: <http://www.hud.gov>.

¹² Rural Assistance Center. Critical Access Hospital FAQs. Link: http://www.raconline.org/info_guides/hospitals/cahfaq.php#howmany

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