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February 3, 2015

The Honorable Charles Grassley
United States Senate
135 Hart Senate Office Building
Washington, DC 20510

Dear Senator Grassley:

On behalf of our more than 5,000 member hospitals, health systems and other health care organizations, and our nearly 43,000 individual members, the American Hospital Association (AHA) is pleased to support the Rural Hospital Access Act of 2015 (S. 332), and applauds your commitment to America's rural health care providers.

Your legislation would make permanent both the Medicare-dependent Hospital (MDH) program and the enhanced low-volume Medicare adjustment for prospective payment system (PPS) hospitals, which are vital programs for rural hospitals and the patients and communities they serve.

The network of providers that serves rural Americans is fragile and more dependent on Medicare revenue because of the high percentage of Medicare beneficiaries who live in rural areas. To support small rural hospitals for which Medicare patients make up a significant percentage of inpatient days or discharges, Congress established the MDH program in 1987. The approximately 200 MDHs are eligible to receive the sum of their PPS payment rate, plus three-quarters of the amount by which their cost per discharge exceeds the PPS rate. These payments allow MDHs greater financial stability and leave them better able to serve their communities. Your legislation would make this important program permanent.

In addition, S. 332 would continue the enhanced low-volume Medicare adjustment. Medicare seeks to pay efficient providers their costs of furnishing services. However, certain factors beyond providers' control can affect the costs of furnishing services. Patient volume is one such factor and is particularly relevant in small and isolated communities where providers frequently cannot achieve the economies of scale possible for their larger counterparts. Although a low-volume adjustment existed in the inpatient PPS prior to fiscal year 2011, the Centers for Medicare & Medicaid Services had defined the eligibility criteria so narrowly that only two to three hospitals qualified each year. The current, improved low-volume adjustment better accounts for the relationship between cost and volume, helps level the playing field for low-volume providers, and improves access to care in rural areas. Without an extension, these providers would once again be at a disadvantage and have severe challenges serving their communities.

Again, we are pleased to support this legislation and look forward to working with you and your colleagues to achieve its passage.

Sincerely,

Rick Pollack
Executive Vice President

