

## ***Fairness for Rural Teaching Hospitals Act of 2023***

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### **In Short:**

Small rural hospitals offer essential care to our most underserved communities. They should not be penalized and have their reimbursements reduced by Centers for Medicare and Medicaid Services for operating a teaching program, in addition to providing this vital care. The *Fairness for Rural Teaching Hospitals Act* would update how the hospital specific rate is calculated to give Medicare Dependent Hospitals that operate a teaching program a fairer reimbursement.

### **Background:**

The Medicare Dependent Hospital (MDH) program was created by Congress in 1987 to support small rural hospitals whose patient base is primarily composed of Medicare recipients. The program currently supports 138 hospitals across the United States which receive an enhanced reimbursement from the Centers for Medicare and Medicaid Services (CMS).

Currently, 14 MDHs operate a teaching program aimed towards training the next generation of rural physicians and health care providers. When CMS calculates the payment rate, covering these hospitals inpatient operating costs, CMS overinflates it by adding reimbursements for teaching expenses on top of the base figure. Afterwards, CMS compares this rate to three historic base years to determine if the hospital is eligible for an additional payment. Since the rate is overinflated with the teaching expenses reimbursement, it exceeds the historic base years which penalizes the MDHs by withholding the payment, worth hundreds of thousands of dollars. Unless the methodology is corrected by Congress, small, rural teaching hospitals will be unable to continue training new physicians.

### **The Bill:**

This bill would:

- (1) Update how CMS calculates the hospital specific rate for Medicare Dependent Hospitals to exclude teaching reimbursements (IME) from the diagnosis-related group prospective payment system amount, which would marginally increase reimbursements for MDHs.
- (2) Instruct CMS to add IME to the hospital specific rate after performing the calculations, ensuring that these facilities are reimbursed for teaching expenses.

### **Costs:**

The estimated costs of fixing CMS' formula are \$7 million per year.

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