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national organization of state offices of rural health

November 7, 2011

The Honorable Jeb Hensarling
Co-Chair
Joint Select Committee on Deficit Reduction
129 Cannon House Office Building
Washington, DC 20515

The Honorable Patty Murray
Co-Chair
Joint Select Committee on Deficit Reduction
448 Russell Senate Office Building
Washington, DC 20510

Dear Members of the Joint Select Committee on Deficit Reduction:

On behalf of thousands of rural healthcare safety net providers and the millions of patients they serve, I am writing to urge you to ensure that as your committee considers ways to reduce the long-term debt our nation faces, you do not do harm to the rural healthcare safety net.

Sadly, it appears evident that rural providers are being targeted by some elected officials who don't understand the fragile nature of our rural healthcare delivery system.

Research clearly demonstrates that Rural Americans are, older, poorer and sicker than their urban counterparts and are more reliant on the government programs of Medicare and Medicaid. This places a significant strain on the rural healthcare delivery system and essentially ensures that providers working in rural medically underserved areas are heavily dependent on Medicare and Medicaid to generate the majority of the revenue it takes to keep a rural hospital or rural clinic open. Because of this, cuts in provider payments have a disproportionately harsh impact on rural hospitals, physicians and clinics.

Our rural hospitals and rural providers are already operating on dangerously thin margins. Recent studies of rural provider finances show that many rural hospitals are operating in the red. Anything that reduces the revenue they receive from either Medicare or Medicaid seriously jeopardizes their ability to remain open and provide needed health care services to geographically isolated populations.

Rural hospitals care for 16.4 percent of America's Medicare patients, yet only account for 12.4 percent of the total Medicare hospital expenditures. Rural hospitals also provide jobs, growth and stability to the struggling rural economy.

Remember too, when a rural hospital or rural clinic closes because of inadequate Medicaid reimbursement, it's not just the Medicaid population that is harmed, it is the entire community – the elderly, the insured patients, as well as Medicaid patients.

Hospital closures will devastate the rural economy. Rural hospitals provide millions in wages, salaries and benefits. A rural hospital is often the largest employer in its community. When a rural hospital closes, it can mean a 20 percent loss of revenue to the local rural economy and an increase in local unemployment.

As you consider proposals that will reduce the net income of rural hospitals, please keep in mind that Congress created the special payment structures for rural hospitals and Critical Access Hospitals to stop the flood of hospital closures and to ensure that rural populations could get the health care they need. During the 1980s and early 1990s, hundreds of rural hospitals closed and rural Americans lost access to health care.

In 1997, Congress created the Critical Access Hospital or CAH designation. This designation was designed to prevent small, rural hospital closures by allowing CMS to pay CAHs for inpatient and outpatient services on the basis of reasonable costs. Other rural hospitals' payments, such as those for Sole Community Hospital (SCH) and Medicare Dependant Hospital (MDH) designations were created by congress for similar reasons.

On behalf of the rural providers and the patients they serve, we ask that you oppose any efforts to reduce Medicare or Medicaid payments to rural hospitals, rural clinics and rural physicians.

Sincerely,

John Barnas
President
National Organization of State Offices
of Rural Health

Teryl Eisinger
Executive Director
National Organization of State Offices
of Rural Health