Medicare Learning Network
MLN Matters®
CMS
Information for Medicare Fee-For-Service Health Care Professionals

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MMA – Additional Rules for Critical Access Hospitals Established by the Medicare Prescription Drug Improvement and Modernization Act (MMA) of 2003, PL 108-173

Note: This article was updated on April 22, 2013, to reflect current Web addresses. All other information remains unchanged.

Provider Types Affected

Critical Access Hospitals (CAHs)

Provider Action Needed


STOP – Impact to You

States may continue to certify facilities as necessary providers so that they can be considered CAHs. The number of beds allowed by a CAH has increased, and the percentage of reasonable cost, as the basis for CAH inpatient services has increased as well.


CAUTION – What You Need to Know

The authority given to states allowing them to certify a given facility as a necessary provider, thus giving them the ability to be designated as a CAH, has been extended to January 1, 2006.

For the cost reporting periods beginning on or after January 1, 2004, the percentage of reasonable cost as the basis for reimbursement was raised to 101% of reasonable cost, (up from 100%) for inpatient acute care and swing bed services. Also effective January 1, 2004 the limit for CAH inpatient beds (acute and swing) was increased from 15 to 25 beds.

GO – What You Need to Do

Note these changes. Refer to the *Background* section for more information about CAH eligibility, and to the Additional Information section for access to more detailed information on these changes.

Background

In a previous article, MM3051, we provided information on changes to payment methodologies brought about by MMA for CAHs. This article covers other changes, specifically the extended authority of States to certify facilities as necessary providers in order to be designated a CAH.

Under MMA, States may continue to establish the eligibility of a facility as a CAH leading to its certification by the Centers for Medicare & Medicaid Services (CMS). To obtain eligibility as a CAH, the facility must be a Medicare hospital, a hospital that stopped operating on or after November 29, 1989, or a health clinic or health center that was a hospital before it was downsized.

The geographic location of the facility plays a role in its designation as a CAH as well. The facility must be located in a rural area of a State that has established a Medicare rural flexibility program, or within a Metropolitan Statistical Area (MSA) of such a State.

The CAH must be located more than a 35-mile drive from another hospital or CAH (15 miles in mountainous terrain, or areas with only secondary roads) unless it was designated by the state to be a 'necessary provider' before January 1, 2006. The facility must offer round-the-clock emergency care services, provide not more than 25 beds (acute and/or swing with SNF level care if the CAH has a swing bed agreement) and maintain an average length of stay of no more than 96 hours.

The authority of States to certify facilities as necessary providers and designate them as CAHs has been extended by MMA until January 1, 2006. However, please note that designation by the State is not sufficient for CAH status under Medicare. To participate and be paid by Medicare as a CAH, a facility must be certified as a CAH by CMS.

Also, under previous law, CAHs were being paid reasonable cost for inpatient acute care and SNF level services. The MMA, section 405(e) amended that law to assure that payment to CAHs for these services be made at 101% of the reasonable costs of those services, after application of deductible and coinsurance provisions.

Additional Information

The official instruction issued to your Medicare intermediary regarding this change may be found by going to http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/downloads/R68cp.pdf on the CMS website.

If you have any questions on this issue, please contact your intermediary at their toll-free number. If you do not have that number, you may find it at http://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/provider-compliance-interactive-map/index.html on the CMS website.