

September 20, 2000

INTRODUCTION OF THE ESSENTIAL RURAL HOSPITAL PRESERVATION ACT

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Statement of HON. RON PAUL OF TEXAS

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- Mr. Speaker, I rise to introduce the Essential Rural Hospital Preservation Act. This legislation provides a cost-effective means of providing assistance to those small rural hospitals who are struggling with the unintended consequences of the Balanced Budget Act of 1997. As those of us who represent rural areas can attest to, rural hospitals are desperately in need of such assistance. According to a survey conducted by Texas CPAs in April of 2000, the operating margin for hospitals outside a Standard Metropolitan Area with under 50 licensed beds pre-BBA was \$26,000,000 while the operating margin post-BBA was negative \$7,900,000. Reimbursement has been reduced by over \$34 million since the BBA, while at the time the average rural hospital has incurred uncompensated and charity charges of \$1.1 million since the changes contained in the Balanced Budget Act went into effect. Unless action is taken this year to provide assistance for these hospitals, many of them will be forced to close their doors, leaving many rural areas without access to hospital services.

- I believe I can speak for all of my colleagues when I say that while none of us want to endanger the Medicare trust fund, we also want to ensure that Medicare reforms do not drive valuable health care providers into bankruptcy. After all, denying Medicare recipients in rural areas access to quality health care breaks the promise the government makes to the American people when it requires them to pay taxes to finance the Medicare trust fund that they will receive quality health care in their golden years.

- Therefore, I am pleased to advance this proposal, which was developed by experts in rural health care in my district, which provides help for rural health care without endangering the soundness of the Medicare trust fund. The proposal consists of four simple changes in current Medicare laws for `Essential Service Hospitals.' An Essential Service Hospital is defined as a hospital located in a non-Metropolitan Statistical Area with 50 state-licensed beds or less. The specifics of the legislation are:

- 1. A wage index for Essential Service Hospitals set at 1.0--Essential Service Hospitals receive 26 percent less Medicare Reimbursement than hospitals in MSA area. This places rural areas at disadvantage in competing for high-quality employees with hospitals in urban areas. Setting the wage index at 1.0 will enhance the ability of rural hospitals to attract the best personal and thus ensure residents of rural areas can continue to receive quality health care.

- 2. Allow Essential Service Hospitals to treat 100 percent of Medicare copay and deductions which become hospital bad debts as an allowable cost--The BBA of 1997 reduced the amount of bad debts incurred because of uncollected Medicare copayments and deductions that hospitals can submit to Medicare for reimbursement as an allowable cost. This places an especially tough burden on Essential Service Hospitals which often have a high percentage of bad debts because they tend to have a high percentage of low-income populations among their clientele.

- 3. Exempt Essential Service Hospitals from the Outpatient Payment System (PPS)--Since rural hospitals lack the volume necessary to achieve a fair reimbursement rate under PPS, it makes no sense to apply PPS to these hospitals. Exempting Essential Service Hospitals from PPS assures that they will have their reimbursement rate determined by a formula that matches their unique situation.

- 4. Provides a 20 percent Medicare Disproportionate Share (DSH) payment to Essential Service Hospitals--Since small rural hospitals tend to serve a larger number of low-income persons than the average hospital, they have a particular need for Medicare DSH payments. However, many of these hospitals are not benefiting from the DSH program, this legislation will help ensure these hospitals received the support from Medicare they need to continue providing vital health care to low-income residents of rural areas.

- Considering that the BBA of 1997 has resulted in Medicare savings of over \$50 billion more than projected by Congress surely it is not to much to ask that Congress ensure Medicare patients in rural areas are not denied access to quality health care services because of the unintended consequences of the Balanced Budget Amendment. I therefore call on my colleagues to stand up for rural hospitals by cosponsoring the Essential Rural Hospital Preservation Act.