



Charles N. Kahn III
President and CEO

**STATEMENT
of the
Federation of American Hospitals
U.S. Senate
Committee on Finance
Re: Rural Health Care: Supporting Lives and Improving Communities
May 16, 2024**

The Federation of American Hospitals (FAH) submits the following statement for the record in advance of the Senate Finance Committee hearing entitled “Rural Health Care: Supporting Lives and Improving Communities.” We appreciate the Committee’s efforts to better understand the health needs of rural Americans, and we look forward to continuing to work with Congress on these critical issues.

The FAH is the national representative of more than 1,000 leading tax-paying hospitals and health systems throughout the United States. FAH members provide patients and communities with access to high-quality, affordable care in both urban and rural areas across 46 states, plus Washington, DC, and Puerto Rico. Our members include teaching, acute, inpatient rehabilitation, behavioral health, and long-term care hospitals and provide a wide range of inpatient, ambulatory, post-acute, emergency, children’s, and cancer services. Tax-paying hospitals account for approximately 20 percent of community hospitals nationally.

Every day across our nation, millions of Americans in small communities depend on rural hospitals for vital and lifesaving care. Rural hospitals operate 24/7 and are pillars of the communities they serve. Many operate on thin margins and struggle to keep their doors open, with low patient volumes and a patient mix that is generally older and from lower-income backgrounds, relying heavily on Medicare and Medicaid. This unique patient demographic in rural regions often lends to a dichotomy: a high volume of Medicare-dependent patients, but a lower volume of total patients overall.

Today’s hearing reflects the Committee’s recognition of these challenges, and we look forward to continuing to work together to improve access to health care services in rural communities. FAH is committed to improving the health of rural Americans nationwide. To that end, we offer the following recommendations in the areas of telehealth, financial sustainability, workforce, and Medicare Advantage.

Telehealth

Since the COVID-19 pandemic, the increase in health care services provided via telehealth has promoted timely access to patient-centered care, enhanced patient choice and, most importantly, improved access to care in rural areas. Today, many patients travel over an hour for a routine doctor's appointment, and often much further to seek specialty care. Telehealth eliminates this geographic barrier and greatly lowers the hurdle for accessing quality care, enabling hospitals to meet patients literally where they are. In rural areas where it is difficult to recruit physicians and other highly trained staff, telehealth and other remote technologies can also help make up for staffing shortfalls or staff burnout. With telehealth flexibilities set to expire at the end of 2024, we urge lawmakers to build on this progress and make permanent pandemic-era Medicare telehealth provisions to ensure rural Americans have access to the care they need to improve their health.

Financial Sustainability

Rural hospitals play a pivotal role in providing access to care for over 60 million Americans in underserved communities. Providing stability to rural hospitals is critical to addressing the health needs to rural Americans. The MDH and LVH adjustment payment programs were created to ensure that qualifying rural hospitals can continue to provide much needed services in their communities by better reflecting the actual costs of providing care in rural areas, where patients are more likely to be older, lower income and sicker than those in urban areas. We urge lawmakers to make these important programs permanent to provide the financial stability, security, and certainty needed to help prevent closures and disruptions to care in rural communities.

Providing care in rural communities is a difficult endeavor as rural hospitals operate on thin margins with delicate payment hydraulics and a fragile patient mix. Thus, the FAH strongly opposes any policies that threaten access to health care, including so-called "site-neutral" payment policies that would decrease Medicare payments to hospitals. These payment cuts do not take into account the fact that hospitals are already only paid 82 cents on the dollar by Medicare and hospitals require more funding than other sites of care because they treat sicker, lower-income patients with more complex and chronic conditions, provide 24/7 access to care in the community, and are held to a higher regulatory and safety standard. Additionally, these cuts disproportionately impact patients in rural and underserved communities where hospitals are already at risk of closing or reducing service lines such as emergency rooms and maternity care. If site-neutral payment cuts were to be enacted, rural hospitals would particularly be impacted by the financial strain, forcing difficult decisions regarding the viability of operations in rural areas.

Workforce

Perhaps the greatest challenge facing hospitals today is maintaining an adequate workforce. Hospitals in rural and underserved communities are experiencing a combination of provider burnout, physician and staffing shortages, and difficulty attracting workers to these areas. These

factors cause significant strain on hospital operations and have a direct effect on their ability to meet the needs of the patients and communities in which they serve.

Hospitals are also investing heavily in both training and patient care management innovation to improve the bandwidth of registered nurses and reduce nurse workload burden. Allowing nurses to reduce paperwork and non-clinical responsibilities through technology and process enhancements would have the added benefit of reducing burnout.

Medicare Advantage

According to the Chartis Center for Rural Health, the growth of Medicare Advantage (MA) in rural areas could further worsen the financial stability of rural hospitals nationwide as many rural providers may not be able to effectively navigate MA's administrative requirements for payment, such as prior authorizations, which leads to increased denials.¹ A 2022 U.S. Department of Health and Human Services (HHS) Office of the Inspector General (OIG) report found that MA plans systemically apply problematic operating policies, procedures and protocols that limit care for MA enrollees. The OIG Report also identified patterns by which MA plans apply utilization controls to improperly withhold coverage or care from MA enrollees, including:

- *Improper prior authorization denials.* OIG found that 13 percent of prior authorization requests denied by MA plans would have been approved for beneficiaries under original Medicare.
- *Improper denials for lack of documentation.* OIG found that in many cases beneficiary medical records were sufficient to support the medical necessity of the services provided.
- *Improper payment request denials.* The OIG found that 18% of payment requests denied by MA plans actually met Medicare coverage rules and MA plan billing rules.²

These OIG findings reflect a broader pattern of MA plan practices that inappropriately deny, limit, modify, or delay the delivery of or access to services and care for MA beneficiaries. While these practices are harmful to hospitals nationwide, they are especially harmful to rural hospitals, many of whom are already facing tight margins. We urge lawmakers to rein in MA prior authorization and other abuses to ensure that rural hospitals can continue to provide 24/7 access to care in the community.

We look forward to working with the Committee on these critical issues impacting rural health. If you have any questions or want to discuss these comments further, please contact Charlene MacDonald at (202) 615-0599.

¹“Unrelenting Pressure Pushes Rural Safety Net Crisis Into Uncharted Territory” (Feb 2024) https://www.chartis.com/sites/default/files/documents/chartis_rural_study_pressure_pushes_rural_safety_net_crisis_into_uncharted_territory_feb_15_2024_fnl.pdf

² “Some Medicare Advantage Organization Denials of Prior Authorization Requests Raise Concerns About Beneficiary Access to Medically Necessary Care” (April 2022), <https://oig.hhs.gov/oei/reports/OEI-09-18-00260.pdf>