MedicalXpress

Report: Rural hospitals get billions in extra Medicare funds

March 9 2015, byMatt Sedensky

A law that allows rural hospitals to bill Medicare for rehabilitation services for seniors at higher rates than nursing homes and other facilities has led to billions of dollars in extra government spending, federal investigators say.

Most patients could have been moved to a skilled-nursing facility within 35 miles of the hospital at about one-fourth the cost, the U.S. Department of Health and Human Services' inspector general said in a report being released Monday. Hospitals juggling tough balance sheets have come to view such "swing-bed" patients as lucrative, fueling a steady rise in the number of people getting such care and costing Medicare an additional $4.1 billion over six years, the report said.

The authors wrote that the windfall helps to "support a hospital's fixed costs and offset losses from other lines of business."

Legislation passed by Congress in 1997 created the designation of "critical access hospitals" to help small facilities in remote areas survive. Rather than paying set rates for services as throughout the rest of the Medicare system, the federal government reimburses the hospitals for 101 percent of their costs. They also often receive state funding and grants.

In most U.S. hospitals, Medicare patients who break their hip, for example, would receive in-patient treatment until they are ready to return home or receive rehabilitative services at a nursing home or

elsewhere. But critical access hospitals are allowed to provide those rehabilitation services in the very same bed as in-patient ones. They continue to bill for their full costs, rather than the far lower price of providing those services elsewhere.

Alan Morgan, CEO of the National Rural Health Association, did not dispute that Medicare could save money by modifying the system. But he said dozens of rural hospitals have closed in the past five years, and nearly 300 others are on the brink. The Obama administration has already proposed a reduction to all reimbursements made to critical access hospitals that Morgan said would further accelerate the closures if enacted.

"Medicare could save money in many ways. That's not the question," he said. "The question is what is right for our rural patients and their access to high-quality services designed to care for the frail, elderly patients in their home communities."

HHS investigators examined a sampling of 1,200 critical access hospitals that submitted swing-bed claims between 2005 and 2010, estimating 90 percent of the patients could have been cared for elsewhere. The average swing-bed hospital reimbursement in 2010 was $1,261 daily, versus an average estimated cost of $273 daily if the patients had been moved. Medicare paid for 914,000 days of swing-bed care in 2010, up from 789,000 in 2005, the report found.

Some hospitals received critical access designation under old rules and were grandfathered in. A previous report from the inspector general's office found the vast majority would not meet the requirements if forced to requalify.

In a written response, Centers for Medicare and Medicaid Services administrator Marilyn Tavenner agreed swing-bed usage has increased.

But she said the report was stilted by using a sampling of hospitals that may not be representative; inflating savings by not taking into account the cost of transporting patients out of a hospital; and ignoring the fact that though an alternate facility may only be 35 miles from the hospital, it may be much farther from a patient's family.

"The report does not take into account the burden on patients of being treated farther from home and family," she wrote.

More information: Online: oig.hhs.gov/oas/reports/region5/51200046.pdf