

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
Centers for Medicare & Medicaid Services



# Sole Community Hospital



## RURAL HEALTH FACT SHEET SERIES

**Please note:** The information in this publication applies only to the Medicare Fee-For-Service Program (also known as Original Medicare).

This publication provides the following information about Sole Community Hospitals (SCH):

- ❖ SCH classification criteria;
- ❖ SCH payments;
- ❖ Urban to rural hospital reclassifications;
- ❖ Resources; and
- ❖ Lists of helpful websites and Regional Office Rural Health Coordinators.

### SCH CLASSIFICATION CRITERIA

A hospital paid under the Medicare Acute Care Hospital Inpatient Prospective Payment System (IPPS) is eligible for classification as a SCH if it meets one of the following criteria:

1. The hospital is located at least 35 miles from other like hospitals;
2. The hospital is rural (located in a rural area), located between 25 and 35 miles from other like hospitals, **and** meets **one** of the following criteria:
  - No more than 25 percent of residents who become hospital inpatients or no more than 25 percent of the Medicare beneficiaries who become hospital inpatients in the hospital's service area are admitted to other like hospitals located within a 35-mile radius of the hospital or, if larger, within its service area; or

- The hospital has fewer than 50 beds and would meet the 25 percent criterion above if not for the fact that some beneficiaries or residents were forced to seek specialized care outside of the service area due to the unavailability of necessary specialty services at the hospital;
3. The hospital is rural and located between 15 and 25 miles from other like hospitals but because of local topography or periods of prolonged severe weather conditions, the other like hospitals are inaccessible for at least 30 days in each of 2 out of 3 years; or
  4. The hospital is rural and because of distance, posted speed limits, and predictable weather conditions, the travel time between the hospital and the nearest like hospital is at least 45 minutes.



A like hospital:

- ❖ Furnishes short-term, acute care;
- ❖ Is paid under the Medicare Acute Care Hospital IPPS;
- ❖ Is not a Critical Access Hospital; and
- ❖ Is not paid under any other Medicare PPS.

A hospital's service area is the area from which it draws at least 75 percent of its inpatients during the most recent 12-month cost reporting period ending before it applies for classification as a SCH.

Certain hospitals formerly designated as Essential Access Community Hospitals (EACH) are also treated as SCHs for payment purposes under the IPPS. For more information about EACHs, refer to the "Code of Federal Regulations" (CFR) at 42 CFR 412.109.

## SCH PAYMENTS

Medicare makes SCH payments based upon which of the following yields the greatest aggregate payment for the cost reporting period:

- ❖ The IPPS Federal rate applicable to the hospital;
- ❖ The updated hospital-specific rate based on fiscal year (FY) 1982 costs per discharge;
- ❖ The updated hospital-specific rate based on FY 1987 costs per discharge;
- ❖ The updated hospital-specific rate based on FY 1996 costs per discharge; or
- ❖ The updated hospital-specific rate based on FY 2006 costs per discharge.

For discharges occurring on and after October 1, 2012, SCH payments also include any applicable adjustments under the Hospital Value-Based Purchasing (VBP) Program and the Hospital Readmissions Reduction Program. Under the Hospital-Acquired Conditions (HAC) Program,

effective for discharges beginning on or after October 1, 2014, an adjustment will be made for those hospitals ranked in the lowest quartile for medical errors or serious infections. If applicable, these adjustments are made in determining a SCH's payment regardless of whether its payments are based on the applicable IPPS Federal rate or its applicable hospital-specific rate.

SCHs may also qualify for a payment adjustment for hospitals experiencing a significant volume decrease. For more information about the low-volume hospital payment adjustment, refer to the CFR at 42 CFR 412.92(e).

## URBAN TO RURAL HOSPITAL RECLASSIFICATIONS

Any IPPS hospital located in an urban area may be reclassified as rural by meeting **one** of the following criteria:

1. It is located in a rural census tract of a Metropolitan Statistical Area (MSA) in the most recent version of the Goldsmith Modification, Rural-Urban Commuting Area (RUCA) codes;
2. Any State law or regulation deems it to be a rural hospital or located in a rural area; or
3. It would meet all requirements of a Rural Referral Center or SCH if it was located in a rural area.

Applications may be mailed to the Centers for Medicare & Medicaid Services (CMS) Regional Office (RO) at any time. The CMS RO will approve or disapprove applications within 60 days.


While the rural reclassification is in effect, the hospital may not be approved for any additional reclassification, and it must retain rural status for one full cost reporting cycle and until the start of the next Federal FY.



## RESOURCES

The chart below provides SCH resource information.

### SCH Resources

For More Information About...	Resource
Sole Community Hospitals	Chapter 3 of the “Medicare Claims Processing Manual” (Publication 100-04) located at <a href="http://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/clm104c03.pdf">http://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/clm104c03.pdf</a> on the CMS website  Chapter 28, Section 2810, of the “Provider Reimbursement Manual – Part 1” (Publication 15-1) located at <a href="http://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Paper-Based-Manuals-Items/CMS021929.html">http://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Paper-Based-Manuals-Items/CMS021929.html</a> on the CMS website
“Code of Federal Regulations”	<a href="http://www.gpo.gov/fdsys/browse/collectionCfr.action?collectionCode=CFR">http://www.gpo.gov/fdsys/browse/collectionCfr.action?collectionCode=CFR</a> on the Government Printing Office website
Hospital Value-Based Purchasing Program	<a href="http://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/hospital-value-based-purchasing">http://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/hospital-value-based-purchasing</a> on the CMS website
Hospital Readmissions Reduction Program	<a href="http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/Readmissions-Reduction-Program.html">http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/Readmissions-Reduction-Program.html</a> on the CMS website
Hospital Reclassifications	<a href="http://www.cms.gov/Regulations-and-Guidance/Review-Boards/MGCRB">http://www.cms.gov/Regulations-and-Guidance/Review-Boards/MGCRB</a> on the CMS website  Medicare Learning Network® (MLN) publication titled “Hospital Reclassifications” located at <a href="http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/Hospital_Reclassifications_FactSheet_ICN907243.pdf">http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/Hospital_Reclassifications_FactSheet_ICN907243.pdf</a> on the CMS website
Goldsmith Modification, Rural-Urban Commuting Area, Codes	<a href="http://www.hrsa.gov/ruralhealth/policy/definition_of_rural.html">http://www.hrsa.gov/ruralhealth/policy/definition_of_rural.html</a> on the Health Resources and Services Administration website
All Available MLN Products	“Medicare Learning Network® Catalog of Products” located at <a href="http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/MLNCatalog.pdf">http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/MLNCatalog.pdf</a> on the CMS website or scan the Quick Response (QR) code on the right 
Provider-Specific Medicare Information	MLN publication titled “MLN Guided Pathways: Provider Specific Medicare Resources” booklet located at <a href="http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNEdWebGuide/Downloads/Guided_Pathways_Provider_Specific_Booklet.pdf">http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNEdWebGuide/Downloads/Guided_Pathways_Provider_Specific_Booklet.pdf</a> on the CMS website
Medicare Information for Patients	<a href="http://www.medicare.gov">http://www.medicare.gov</a> on the CMS website

## HELPFUL WEBSITES

**American Hospital Association Rural Health Care**  
<http://www.aha.org/advocacy-issues/rural>

**Critical Access Hospitals Center**  
<http://www.cms.gov/Center/Provider-Type/Critical-Access-Hospitals-Center.html>

**Disproportionate Share Hospital**  
<http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/dsh.html>

**Federally Qualified Health Centers Center**  
<http://www.cms.gov/Center/Provider-Type/Federally-Qualified-Health-Centers-FQHC-Center.html>

**Health Resources and Services Administration**  
<http://www.hrsa.gov>

**Hospital Center**  
<http://www.cms.gov/Center/Provider-Type/Hospital-Center.html>

**Medicare Learning Network®**  
<http://go.cms.gov/MLNGenInfo>

**National Association of Community Health Centers**  
<http://www.nachc.org>

**National Association of Rural Health Clinics**  
<http://narhc.org>

**National Rural Health Association**  
<http://www.ruralhealthweb.org>

**Physician Bonuses**  
<http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/HPSAPSAPhysicianBonuses>

**Rural Assistance Center**  
<http://www.raconline.org>

**Rural Health Clinics Center**  
<http://www.cms.gov/Center/Provider-Type/Rural-Health-Clinics-Center.html>

**Swing Bed Providers**  
<http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/SwingBed.html>

**Telehealth**  
<http://www.cms.gov/Medicare/Medicare-General-Information/Telehealth>

**U.S. Census Bureau**  
<http://www.census.gov>

## REGIONAL OFFICE RURAL HEALTH COORDINATORS

To find contact information for CMS Regional Office Rural Health Coordinators who provide technical, policy, and operational assistance on rural health issues, refer to <http://www.cms.gov/Outreach-and-Education/Outreach/OpenDoorForums/Downloads/CMSRuralHealthCoordinators.pdf> on the CMS website.



This fact sheet was current at the time it was published or uploaded onto the web. Medicare policy changes frequently so links to the source documents have been provided within the document for your reference.

This fact sheet was prepared as a service to the public and is not intended to grant rights or impose obligations. This fact sheet may contain references or links to statutes, regulations, or other policy materials. The information provided is only intended to be a general summary. It is not intended to take the place of either the written law or regulations. We encourage readers to review the specific statutes, regulations, and other interpretive materials for a full and accurate statement of their contents.

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