



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Quality Healthcare for All"

COMPLIANCE ALERT 13-19

OIG Reports Concludes that CAH Requirements would not be met by many Hospitals if Required to Re-certify

EXECUTIVE SUMMARY: A recent OIG Report concludes that most critical access hospitals would not meet location requirements if required to re-enroll in Medicare.

SUMMARY: *From the American Health Lawyers Association (AHLA)'s Email Alert by Rick Rifenburg*—"A U.S. Department of Health & Human Services, Office of Inspector General (OIG) report issued on August 14 concludes that nearly two-thirds of the more than 1,300 critical access hospitals (CAHs) in the United States would not meet the CAH "location requirements" if required to re-enroll in Medicare. These location requirements, which are part of the CAH conditions of participation (COPs), require CAHs to be: (1) more than a 35-mile drive from a hospital or another CAH or located more than a 15-mile drive from a hospital or CAH in an area of mountainous terrain or areas where only secondary roads are available (distance requirement); and (2) located in a rural area or in areas that are treated as rural (rural requirement). The OIG report analyzes how many CAHs would not meet the location requirements if required to re-enroll, and then calculates potential savings to Medicare and beneficiaries if CMS decertified those CAHs. "

In further summary...."Of the CAHs that would not meet the criteria, "the vast majority (846) would fail due to lack of compliance with the distance requirement. Given the large number of CAHs that would not meet the location requirements if required to re-enroll, **OIG indicates that substantial savings could be realized if these CAHs were decertified** (emphasis added). Specifically, OIG estimates that if CMS decertified half of the CAHs that did not meet the location requirements in 2011, Medicare would have saved approximately \$373 million and beneficiaries would have saved an estimated \$200 million in coinsurance.

However, many of the current CAHs are exempt from meeting the distance requirement. Prior to 2006, states could designate hospitals that did not meet the distance requirement as "necessary provider" (NP) CAHs. The Medicare Prescription Drug, Improvement, and Modernization Act prohibited states from designating new NP CAHs on or after January 1, 2006, but permanently exempts existing NP CAHs from the distance requirement, provided that they continue to meet all other CAH requirements and do not relocate. The OIG report notes that approximately 75% of existing CAHs are NP CAHs. OIG further found that 751 of the 849 CAHs that would not meet the CAH location requirements if required to re-enroll are NP CAHs."

As a result of its findings, OIG recommends in its report that CMS:

- (1) seek legislative authority to remove NP CAHs' permanent exemption from the distance requirement;
 - (2) seek legislative authority to revise the CAH COPs to include alternative location-related requirements;
 - (3) ensure that it periodically reassess CAHs for compliance with all location-related requirements; and
 - (4) ensure that it applies its uniform definition of "mountainous terrain" to all CAHs.
- CMS concurred with all recommendations other than number two.

ACTION NEEDED: HHSC facilities must continue to monitor this issue.

Source: [AHLA Email Alert](http://oig.hhs.gov/oei/reports/oei-05-12-00080.asp)—August 26, 2013
<http://oig.hhs.gov/oei/reports/oei-05-12-00080.asp>