

Calculation of Targeted Rural Distribution

CAH and PPS Hospitals

Based on operating expenses from the cost report: Worksheet G3 Line 4

Scale for hospital base payment:

50% of first \$2M op exp = \$1M
40% of second \$2M op exp = \$.8M
30% of third \$2M op exp = \$.6M
20% of fourth \$2M op exp = \$.4M
10% of fifth \$2M op exp = \$.2M
...add that up and you get \$3M base for 10M op exp
\$10M and over is \$3M base payment

Add-on to base payment:

2% of operating expense including the base portion (approximate 2%)

Example:

A hospital with \$50M operating expense calculation:

\$3M base payment plus \$1M add-on equals \$4M Total Payment

\$1M represents 2% of \$50M

Rural Health Clinics

Freestanding RHCs: \$103,253K each plus a 3.7% addon payment

Provider-based RHC: No base per RHC, these expenses included in G3 Line 4

Federally Qualified Health Clinics

All Sites located in a rural area will receive \$103,253K per site.