

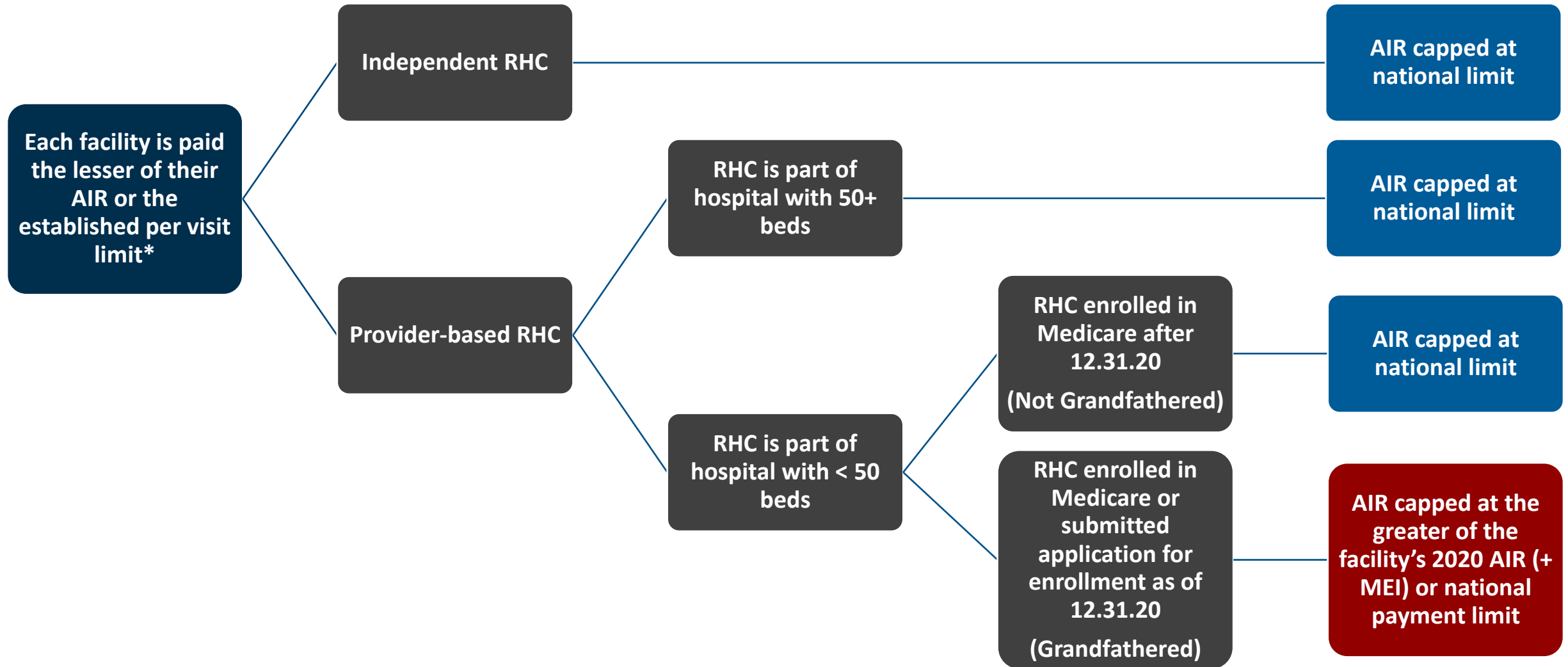
# RHC Reimbursement Methodology Application

February 15, 2022

# RHC Reimbursement Methodology

- On December 27, 2020, the President signed into law, the “*Consolidated Appropriations Act, 2021 (CAA)*” which changed the reimbursement methodology for Rural Health Clinics (RHC) starting on April 1, 2021
  - Starting on April 1, 2021, all new RHCs established after December 31, 2019 (2020 after signing of H.R. 1868), regardless of whether they are independent, owned and operated by a hospital with fewer than 50 beds, or owned and operated by a hospital with greater than 50 beds, shall be reimbursed based on reasonable cost with an upper payment limit (UPL) set at the following rates:
    - a) In 2021, after March 31, at \$100 per visit;
    - b) In 2022, at \$113 per visit;
    - c) In 2023, at \$126 per visit;
    - d) In 2024, at \$139 per visit;
    - e) In 2025, at \$152 per visit;
    - f) In 2026, at \$165 per visit;
    - g) In 2027, at \$178 per visit;
    - h) In 2028, at \$190 per visit;
    - i) In subsequent years, the rate will increase based on the Medicare Economic Index (MEI) for primary care services
  - RHCs owned and operated by a hospital with fewer than 50 beds and established on or before December 31, 2019 (2020 after signing of H.R. 1868), will use their 2020 rate to establish a clinic-specific grandfathered UPL that will then be increased each year based on the MEI
- Since the final legislation varied greatly from the RHC Modernization Act and due to the impact on provider-based RHCs (PB-RHC), efforts are underway to change certain provisions
  - On April 14, 2021, the President signed H.R. 1868 into law which fixed some of the grandfathering issues caused through the change of the RHC reimbursement methodology in the Consolidated Appropriations Act, 2021

# RHC Rate Establishment



# Independent or Provider-Based (Not Grandfathered)

- **General**

- RHC with 10,000 annual visits of which 3,500 are Medicare (Includes provider-based w/ 50+ beds and Not Grandfathered provider-based w/ <50 beds)
- Annual Cost Increase: 3%
- Medicare Economic Index (MEI): 1.5%

- **Trended Upper Payment Limit Comparison**

- The following table trends forward the adjusted cost-based rates (applying the annualized cost increase) from 2021 through 2028 and compares to the new RHC upper payment limits (UPL) to determine the Medicare rate received by the RHCs from 2021 through 2028
  - The green-shaded cells would be the RHC per visit rate used for 2021 through 2028

Rate	2020	2021	2022	2023	2024	2025	2026	2027	2028
Prior Capped RHC Rate	\$ 86.31	\$ 87.52	\$ 88.83	\$ 90.17	\$ 91.52	\$ 92.89	\$ 94.28	\$ 95.70	\$ 97.13
Adj. Cost-Based Rate	125.00	128.75	132.61	136.59	140.69	144.91	149.26	153.73	158.35
UPL		100.00	113.00	126.00	139.00	152.00	165.00	178.00	190.00
Variance		\$ 12.48	\$ 24.17	\$ 35.83	\$ 47.48	\$ 52.02	\$ 54.97	\$ 58.04	\$ 61.21

- **Trended RHC Reimbursement Impact**

- The following table compares the net revenue received from Medicare under the prior reimbursement methodology with net revenue received from Medicare under the new RHC reimbursement methodology for 2021 through 2028

Impact	2020	2021	2022	2023	2024	2025	2026	2027	2028
Variance		\$ 12.48	\$ 24.17	\$ 35.83	\$ 47.48	\$ 52.02	\$ 54.97	\$ 58.04	\$ 61.21
Medicare Visits		3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Net Impact		\$ 43,680	\$ 84,595	\$ 125,405	\$ 166,180	\$ 182,070	\$ 192,395	\$ 203,140	\$ 214,235

# Provider-Based w/<50 Beds (Grandfathered)

- **General**

- RHC with 10,000 annual visits of which 3,500 are Medicare
- Annual Cost Increase: 3%
- Medicare Economic Index (MEI): 1.5%

- **Trended Upper Payment Limit Comparison**

- The following table trends forward the adjusted cost-based rates (applying the annualized cost increase) from 2021 through 2028 and compares to the new RHC upper payment limits (UPL) to determine the Medicare rate received by the RHCs from 2021 through 2028
  - The green-shaded cells would be the RHC per visit rate used for 2021 through 2028

Rate	2020	2021	2022	2023	2024	2025	2026	2027	2028
Adj. Cost-Based Rate	\$ 175.00	\$ 180.25	\$ 185.66	\$ 191.23	\$ 196.96	\$ 202.87	\$ 208.96	\$ 215.23	\$ 221.68
UPL		177.63	180.29	182.99	185.74	188.52	191.35	194.22	197.14
Variance		(2.63)	(5.37)	(8.23)	(11.23)	(14.35)	(17.61)	(21.01)	(24.55)

- **Trended RHC Reimbursement Impact**

- The following table compares the net revenue received from Medicare under the prior reimbursement methodology with net revenue received from Medicare under the new RHC reimbursement methodology for 2021 through 2028

Impact	2020	2021	2022	2023	2024	2025	2026	2027	2028
Variance		\$ (2.63)	\$ (5.37)	\$ (8.23)	\$ (11.23)	\$ (14.35)	\$ (17.61)	\$ (21.01)	\$ (24.55)
Medicare Visits		3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Net Impact		\$ (9,205)	\$ (18,795)	\$ (28,805)	\$ (39,305)	\$ (50,225)	\$ (61,635)	\$ (73,535)	\$ (85,925)

# Provider-Based w/<50 Beds (Grandfathered)

- **General**

- RHC with 10,000 annual visits of which 3,500 are Medicare
- Annual Cost Increase: Variable from 1% - 3%
- Medicare Economic Index (MEI): 1.5%

- **Trended Upper Payment Limit Comparison**

- The following table trends forward the adjusted cost-based rates (applying the annualized cost increase) from 2021 through 2028 and compares to the new RHC upper payment limits (UPL) to determine the Medicare rate received by the RHCs from 2021 through 2028
  - The green-shaded cells would be the RHC per visit rate used for 2021 through 2028

Rate	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cost Increase		1.75%	1.00%	1.75%	3.00%	1.00%	1.00%	1.00%	1.75%
Adj. Cost-Based Rate	\$ 175.00	\$ 178.06	\$ 179.84	\$ 182.99	\$ 188.48	\$ 190.36	\$ 192.27	\$ 194.19	\$ 197.59
UPL		177.63	180.29	182.99	185.74	188.52	191.35	194.22	197.14
Variance		\$ (0.44)	\$ 0.45	\$ 0.00	\$ (2.74)	\$ (1.84)	\$ (0.92)	\$ 0.03	\$ (0.45)

- **Trended RHC Reimbursement Impact**

- The following table compares the net revenue received from Medicare under the prior reimbursement methodology with net revenue received from Medicare under the new RHC reimbursement methodology for 2021 through 2028

Impact	2020	2021	2022	2023	2024	2025	2026	2027	2028
Variance		\$ (0.44)	\$ -	\$ -	\$ (2.74)	\$ (1.84)	\$ (0.92)	\$ -	\$ (0.45)
Medicare Visits		3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Net Impact		\$ (1,540)	\$ -	\$ -	\$ (9,590)	\$ (6,440)	\$ (3,220)	\$ -	\$ (1,575)



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