

# Legislative Analysis

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## MEDICARE RURAL HOSPITAL FLEXIBILITY PROGRAM

Mitchell Bean, Director  
Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**House Bill 6245**

**Sponsor: Rep. Mary Ann Middaugh**

**Committee: Health Policy**

**Complete to 10-29-04**

### A SUMMARY OF HOUSE BILL 6245 AS INTRODUCED 9-29-04

The Medicare Rural Hospital Flexibility Program (MRHFP) allows a small hospital to reconfigure its operations and be licensed as a critical access hospital (CAH), which enables the hospital to be reimbursed for services provided to Medicare patients for its reasonable cost of providing service. However, a hospital must meet stringent state and federal criteria addressing, among other things, number of beds, maximum hours a patient may be admitted, and location. In Michigan, to be eligible for the MRHFP, a hospital must be designated as a rural primary care hospital and so must be located outside of a metropolitan statistical area.

House Bill 6245 would add a new section to the Public Health Code (MCL 333.21571) to amend the criteria for designation as a rural hospital for purposes of MRHFP eligibility. Under the bill, a hospital not located outside a metropolitan statistical area could still be designated as a rural hospital if located in a city, village, or township with a population of no more than 10,000 and in a county with a population of no more than 110,000. A hospital determined to be a rural hospital under the bill could be designated by the Department of Community Health as a critical provider in order to satisfy eligibility requirements for certification as a CAH.

For purposes of the bill, "rural hospital" would be defined as a hospital located outside a metropolitan statistical area as defined under federal law or a hospital that satisfied the new criteria established in the bill.

### **FISCAL IMPACT:**

Permitting the Department of Community Health to designate rural hospitals as critical providers in order to satisfy the federal eligibility requirements for certification as critical access hospitals (CAHs) would increase the hospitals' reimbursement rates from Medicare; however, it will not have an impact on state costs. Furthermore, there would be a minuscule loss in licensed bed fee revenue if rural hospitals were designated as CAHs.

Legislative Analyst: Susan Stutzky

Fiscal Analyst: Margaret Alston

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