

United States Senate

WASHINGTON, DC 20510

October 1, 2024

The Honorable Chiquita Brooks-LaSure
Administrator
Centers for Medicare & Medicaid Services
U.S. Department of Health & Human Services
200 Independence Avenue S.W.
Washington, D.C. 20201

Dear Administrator Brooks-LaSure,

For two decades, the Rural Community Hospital Demonstration (RCHD) program has improved the financial viability of “tweener” hospitals that are too large to be considered Critical Access Hospitals and too small to succeed under the Medicare hospital inpatient prospective payment system. The most recent performance data suggests that new RCHD hospitals significantly improved their Medicare margins, although those gains were not large enough to impact their total profit margins. This signals that the RCHD program offers a shot in the arm for financially-challenged rural hospitals to keep their doors open and provide health care services. However, we are concerned that the Centers for Medicare and Medicaid Services (CMS) continues to underutilize the RCHD program.

The RCHD was established in 2003¹ and has been reauthorized three times.² However, CMS last solicited program applications in 2017 and has communicated to us that the agency is not planning any further solicitations. Current law allows up to 30 hospitals to participate in the RCHD, but for the past several years CMS has underutilized the program leaving as many as eight spots vacant. While there is interest from additional rural hospitals to participate, your agency has not taken action to add eligible hospitals. In fact, CMS told us that there would be too much interest among rural hospitals. By intentionally leaving RCHD spots open, despite ongoing interest from eligible rural hospitals hoping to participate, CMS is choosing to underutilize a budget-neutral demonstration program.³

A 2022 evaluation report found that new hospitals participating in the RCHD program saw their finances stabilize.⁴ The evaluation noted that hospitals joining the program saw a “large, positive, and statistically significant increases in their Medicare inpatient and combined

¹ Public Law 108-173, Title IV, Sec. 410A.

² Public Law 116-260, Division CC, Title I, Subtitle B, Sec. 128.

³ Note: According to the Congressional Budget Office (CBO), the program has consistently been cost-neutral or has saved taxpayer money.

⁴ Centers for Medicare & Medicaid Services, “Evaluation of the Rural Community Hospital Demonstration: Interim Report Two (Covering 2016–2018),” December 2022, <https://innovation.cms.gov/data-and-reports/2023/rchd-2nd-interim-report>.

margins.”⁵ Rural stakeholders have called the RCHD a “lifeline”⁶ and that has enabled struggling hospitals to expand health care services to seniors.⁷ The program continues to be positively received among participating hospitals and the rural populations they serve, and there is a desire to make the program permanent.⁸

In 2023, Senator Grassley asked Health and Human Services (HHS) Secretary Xavier Becerra if we should be underutilizing budget-neutral rural hospital programs such as the RCHD.⁹ Secretary Becerra responded by saying he is taking a “concerted effort in rural America to inject some life into some of these facilities because as you know very well, too many of them are closing and they're not being replaced.”¹⁰ He further communicated that HHS is “going to try to do more” and that he would take Senator Grassley’s lead on identifying community hospitals in need.¹¹ In April, Secretary Becerra again agreed to work with Senator Hyde-Smith when she questioned him about including more at-risk rural hospitals in the RCHD program.¹²

We request the agency provide detailed responses to our questions about current program practices to inform potential Congressional action. To better inform Congress, we request the agency respond to the following questions by October 29, 2024:

1. Please provide a complete list of participating RCHD hospitals for fiscal years 2024 and 2025.
2. Does the agency intend to fill RCHD open slots? If so, when?
3. Are there certain hospital service lines such as labor and delivery that CMS will prioritize when filling RCHD open slots?
4. We recognize that soliciting applications for RCHD might require rulemaking. Why has the agency not solicited applications? Does the agency still believe it will take six to 12 months to receive and review applications to fill open RCHD spots? If so, what actions can the agency take to reduce the timeline to select additional RCHD hospitals?

⁵ *Id.*

⁶ U.S. Senate Committee on Finance, “Rural Health Care in America: Challenges and Opportunities,” May 24, 2018, <https://www.finance.senate.gov/imo/media/doc/38094.pdf>.

⁷ Harrington, Jason, “Rural hospitals are vital care providers and economic engines,” *Iowa City Press-Citizen*, April 21, 2021, <https://www.press-citizen.com/story/opinion/2021/04/21/press-citizen-guest-opinion-sen-chuck-grassley-model-help-rural-hospitals-provide-vital-care/7301938002/>.

⁸ U.S. Senate Committee on Finance, “Rural Health Care in America: Challenges and Opportunities,” May 24, 2018, <https://www.finance.senate.gov/imo/media/doc/38094.pdf>.

⁹ U.S. Senate Committee on Finance, “The President’s Fiscal Year 2024 Health and Human Services Budget,” March 22, 2023, <https://www.finance.senate.gov/hearings/the-presidents-fiscal-year-2024-health-and-human-services-budget>.

¹⁰ *Id.*

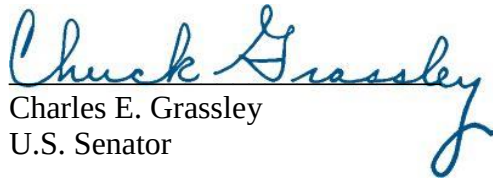
¹¹ *Id.*

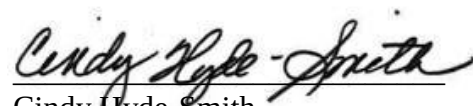
¹² Office of U.S. Senator Cindy Hyde-Smith, “HYDE-SMITH SEEKS TO ENROLL AT-RISK RURAL HOSPITALS IN DEMONSTRATION PROGRAM TO STAVE OFF CLOSURES,” April 16, 2024, <https://www.hydesmith.senate.gov/hyde-smith-seeks-enroll-risk-rural-hospitals-demonstration-program-stave-closures>.

5. How does the agency communicate with existing RCHD hospitals to gather feedback about the program and its effectiveness? Please provide a detailed summary of this feedback.
6. Does CMS conduct an after-action analysis with an RCHD hospital when the hospital leaves the program? If so, please provide the agency's analysis.
7. Many participating hospitals do not have contingency plans in place should their eligibility expire or the demonstration ends. What plans does the agency have in place supporting rural hospitals' transition to a financially sustainable value-based payment model?
8. Is CMS aware of statutory barriers preventing the agency from filling the RCHD program slots?

The RCHD program is supporting rural hospitals and it should be fully utilized. If CMS has the tools to help one rural hospital, then you should be doing something about it. Thank you for your attention to this matter.

Sincerely,


Charles E. Grassley
U.S. Senator


Cindy Hyde-Smith
U.S. Senator