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## United States Senate

COMMITTEE ON THE BUDGET  
WASHINGTON, DC 20510-6100

TELEPHONE: (202) 224-0642

May 17, 2023

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,

I request the Centers for Medicare & Medicaid Services (CMS) fully utilize the Rural Community Hospital Demonstration (RCHD) and fill its open spots with willing hospitals. RCHD was established in 2003<sup>1</sup> and reauthorized three times.<sup>2</sup> As a resident of rural Iowa, I know the importance of accessing health care services close to home. RCHD extends the financial viability of small rural hospitals. While the program can take up to 30 hospitals, CMS is currently underutilizing the program with five open spots. While there is interest from additional rural hospitals to participate, your agency has not taken action to add additional hospitals.

RCHD has given rural hospitals financial viability and prevented closure. A recent evaluation report found that new hospitals participating in the program saw their finances stabilize.<sup>3</sup> The evaluation noted that hospitals joining the program saw a “large, positive, and statistically significant increases in their Medicare inpatient and combined margins.”<sup>4</sup> RCHD has been called a “lifeline”<sup>5</sup> and has enabled hospitals to expand rural hospital services to seniors.<sup>6</sup> The program continues to be positively received, and there is a desire to make the program permanent.<sup>7</sup>

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<sup>1</sup> Public Law 108-173, Title IV, Sec. 410A.

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

<sup>3</sup> 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>.

<sup>4</sup> *Ibid.*

<sup>5</sup> 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>.

<sup>6</sup> 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/>.

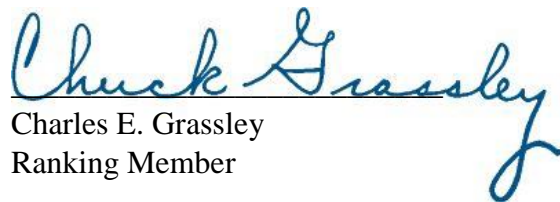
<sup>7</sup> U.S. Senate Committee on Finance, “Rural Health Care in America: Challenges and Opportunities,” May 24, 2018, <https://www.finance.senate.gov/imo/media/doc/38094.pdf>.

Currently, 25 hospitals are participating in RCHD across 11 rural states.<sup>8</sup> Iowa has five hospitals in the demonstration located in Carroll, Ft. Dodge, Grinnell, Newton, and Spirit Lake.<sup>9</sup> According the Congressional Budget Office (CBO), the program has consistently been cost-neutral or has saved taxpayer money.<sup>10</sup> CMS last solicited applications for RCHD in 2017 and recently communicated to my staff they are not planning a new solicitation. By leaving spots open, despite interest from rural hospitals to participate, CMS is underutilizing a cost-effective rural hospital program.

I recently asked Health and Human Services (HHS) Secretary Xavier Becerra if we should be underutilizing cost-effective rural hospital programs such as the RCHD.<sup>11</sup> 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.”<sup>12</sup> He further communicated that HHS is “going to try to do more” and that he’d take my lead on identifying community hospitals in need.<sup>13</sup> I hope CMS follows Secretary Becerra’s call in doing more to support rural hospitals. It could start by fully utilizing RCHD.

I request CMS fill the open RCHD spots and provide me an update on your agency’s efforts no later than June 15, 2023. RCHD is a cost-effective program supporting rural hospitals and it should be fully utilized. Thank you for your attention to this matter.

Sincerely,



Charles E. Grassley  
Ranking Member

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<sup>8</sup> Centers for Medicare & Medicaid Services, “Rural Community Hospital Demonstration,” <https://innovation.cms.gov/innovation-models/rural-community-hospital>.

<sup>9</sup> *Ibid.*

<sup>10</sup> Congressional Budget Office (CBO), “Estimate of Effect on Direct Spending and Revenues of Public Law 108-173 Sec. 410A,” November 20, 2003, <https://www.cbo.gov/sites/default/files/108th-congress-2003-2004/costestimate/11-20-medicareletter0.pdf>; CBO, “Estimate of Effect on Direct Spending and Revenues of Public Law 111-152 Sec. 3123,” March 20, 2010, <https://www.cbo.gov/sites/default/files/111th-congress-2009-2010/costestimate/amendreconprop.pdf>; CBO, “Estimate of Effect on Direct Spending and Revenues of Public Law 114-67 Sec. 15003,” November 28, 2016, <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/costestimate/hr34.pdf>; CBO, “H.R. 133, Estimate for Division N—Additional Coronavirus Response and Relief Consolidated Appropriations Act, 2021 Public Law 116-260,” January 14, 2021.

<sup>11</sup> 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>.

<sup>12</sup> *Ibid.*

<sup>13</sup> *Ibid.*