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United States General Accounting Office

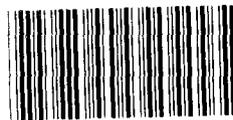
GAO

Report to the Chairman, Subcommittee on
Health, Committee on Finance, U.S.
Senate

January 1988

MEDICARE

Number of Rural Hospitals Terminating Participation Since the Program Began



135129

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Human Resources Division

B-229962

January 29, 1988

The Honorable George J. Mitchell
Chairman, Subcommittee on Health
Committee on Finance
United States Senate

Dear Mr. Chairman:

On September 10, 1987, your office asked us for data on the number of rural hospitals¹ that have ceased participation in Medicare for time periods before and after the implementation of that program's inpatient hospital prospective payment system (PPS). We were also asked to determine, to the extent possible, from Medicare hospital participation data whether other hospitals were available to Medicare beneficiaries in the areas formerly served by the closed hospitals.

We analyzed data in the Medicare/Medicaid Automated Certification System (MMACS), which contains information on all hospitals that have participated in Medicare at any time since its inception on July 1, 1966, and their status as of December 31, 1986. As of December 1986, 2,918 rural hospitals were participating. A total of 446 rural hospitals had terminated participation since the program began. Of the hospitals no longer participating, 48 were in counties that do not currently have a hospital participating in Medicare—an indication that Medicare beneficiaries living in these counties might have more trouble getting access to hospital care. During the 3 years immediately before PPS implementation, 25 rural hospitals terminated participation, and 3 counties were left without a hospital participating in Medicare. During the 3-1/4 years immediately after PPS, 41 rural hospitals ceased participation, and 14 counties were left without a participating hospital.

Background

Medicare provides health insurance coverage for most persons 65 years of age or older and some disabled persons. Part A of Medicare covers inpatient hospital services, skilled nursing facility, home health, and hospice care, while part B covers physician services and various other noninstitutional services, such as outpatient laboratory and X-ray services.

¹We used the Department of Health and Human Services' definition of "rural hospitals"—all hospitals not located in a county within a metropolitan statistical area.

To participate in Medicare, a hospital must meet certain conditions related to its physical plant and organization. These conditions are designed to assure that a hospital is capable of delivering acceptable quality care. The hospital must also agree to accept the Medicare-determined payment amount as payment in full and to have the medical necessity and quality of the care it provides to Medicare beneficiaries reviewed by the Professional Review Organization covering its area.

Under PPS, general acute-care hospitals receive a predetermined fixed payment for operating costs for each Medicare patient depending on the patient's diagnosis. Hospitals can be granted an exception from PPS and be paid based on their actual costs if they are designated as a sole community provider—that is, the only source of care reasonably available to beneficiaries in the area. To get this designation, a hospital must generally be the only one in a 50-mile radius or the only one in a 25-mile radius and the primary source of hospital care for patients in its service area.

In fiscal year 1986, Medicare paid about \$45.6 billion for inpatient hospital services. About 30 million beneficiaries were covered by Medicare part A that year.

The Health Care Financing Administration (HCFA) within the Department of Health and Human Services (HHS) administers Medicare, including setting PPS rates and granting sole community provider status.

Objectives, Scope, and Methodology

As requested, our objective was to determine how many rural hospitals had ceased to participate in Medicare in time periods before and after PPS was implemented.

We used a computer tape from HCFA's MMACS that included data on every hospital that had ever participated in Medicare. We identified all hospitals that had terminated participation through December 31, 1986. It is possible for a hospital to terminate Medicare participation without closing—for example, by being excluded from participation for failing to meet Medicare conditions or by voluntarily withdrawing. However, such cases are rare.

Because MMACS generally shows a hospital as terminated when it has a change in ownership and a new provider number is generally assigned to the hospital's new owner, we searched the tape for an active hospital with the same address as the terminated hospital. When this situation

was identified, we excluded the hospital from the list of terminated hospitals because it had only changed ownership.

As an indication of the effect of a hospital's termination on beneficiary access to care, we searched the MMACS tape to determine if an active hospital was located in the same county as the terminated hospital. In an earlier review, we had developed a list of all hospitals designated as sole community providers as of July 1982, 15 months before PPS was implemented. We compared this list to the list of terminated hospitals as another indicator of effect on access. HCFA does not maintain a centralized list of all hospitals designated as sole community providers.

Number of Rural Hospitals Terminating Medicare Participation Has Been Relatively Constant

The number of hospitals participating in Medicare fluctuates from year to year. HCFA statistics show that in 1984 (shortly after implementation of PPS) there were 6,048 short-stay hospitals participating. This number decreased to 5,991 in 1986. As of December 1986, of the 5,991 hospitals participating in Medicare, 2,918 (or 49 percent) were rural hospitals.

The number of rural hospitals terminating their participation in Medicare has remained relatively constant during 3-year periods since October 1, 1974. The number of terminations resulting in a county not having a participating hospital has fluctuated somewhat more, with the highest number occurring in the 3-1/4 years after PPS was implemented. These data are summarized in table 1, and a state-by-state list is presented in appendix I.

Table 1: Number of Rural Hospitals Terminating Participation in Medicare by Time Period

Time period	Number of rural hospitals terminating	
	Total	No other hospital in county
7/1/66 to 9/30/68	73	4
10/1/68 to 9/30/71	125	9
10/1/71 to 9/30/74	87	7
10/1/74 to 9/30/77	50	4
10/1/77 to 9/30/80	45	7
10/1/80 to 9/30/83	25	3
10/1/83 to 12/31/86 ^a	41	14
Total	446	48

^aPPS began on 10/1/83.

Some of the hospitals that terminated participation may have been replaced by a newly constructed hospital with a different address. We

noted cases in which one hospital closed and another opened in the same area at about the same time. We could not determine with certainty from MMACS whether a replacement occurred in these cases or how frequently such situations occurred. Thus, the number of closures shown in table 1 may be somewhat overstated.

Merely because another hospital is still active in a county does not mean the beneficiary access was not adversely affected when a hospital terminated participation. Access effects would depend on the size of the county, the location of the other hospital(s), the terrain of the area (for example, mountainous region verses prairie), the quality of roads, and other factors. Conversely, the absence of another hospital in a county does not necessarily mean beneficiary access was adversely affected. It would depend on the proximity of hospitals in surrounding counties, among other factors. The MMACS data did not include information on either of these situations.

Finally, our comparison of the hospitals terminating participation with our list of hospitals designated as sole community providers as of July 1982 showed that only two of the hospitals terminating participation after that date had this designation.

As requested by your office, we did not obtain agency comments. We plan no further distribution of this report for 30 days. At that time we will send copies to the Secretary of HHS; the Director, Office of Management and Budget; and other interested committees, and will make copies available to other interested parties on request.

Sincerely yours,



Michael Zimmerman
Senior Associate Director

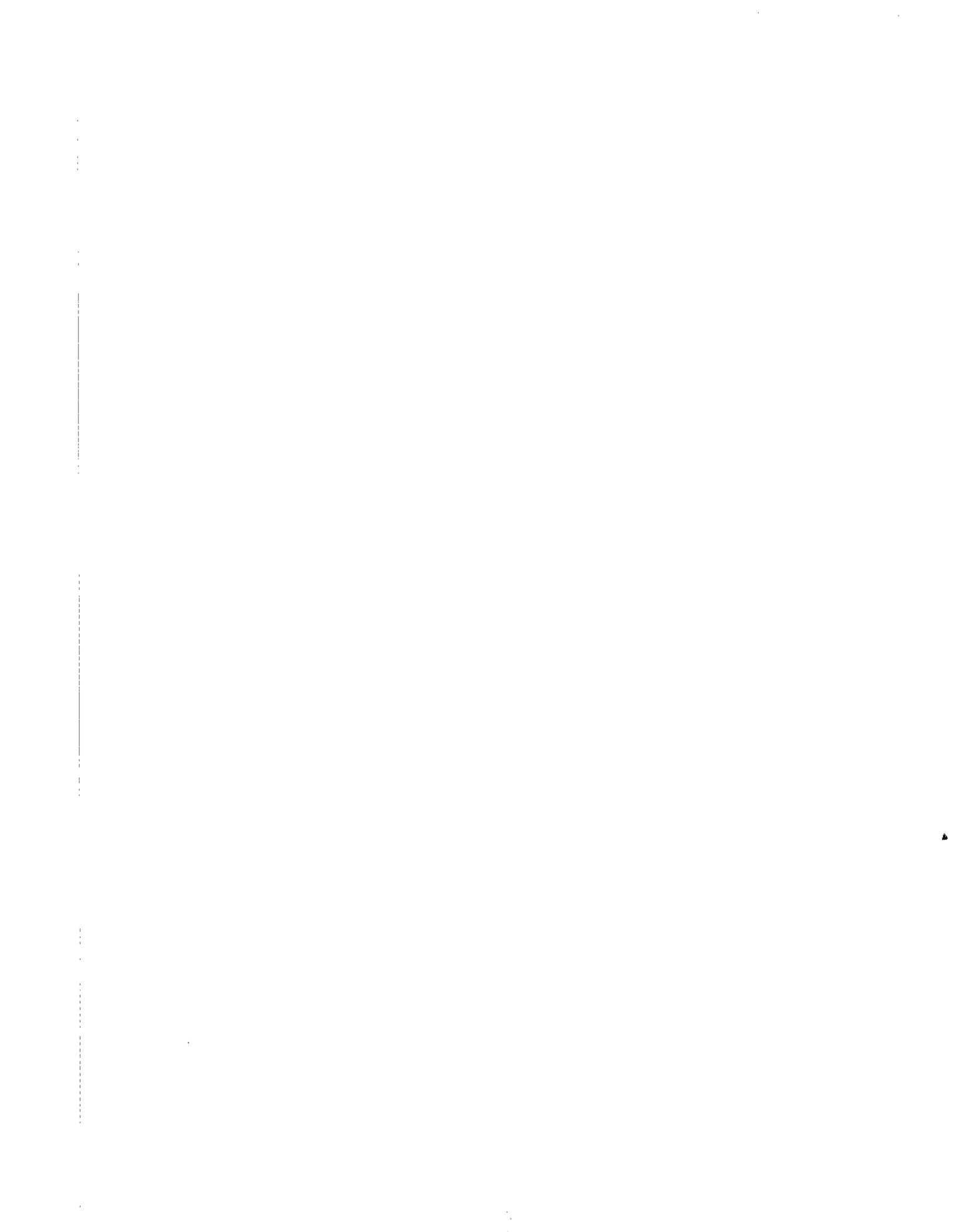
Rural Hospitals Closed During Various Periods

State	Number of hospitals in rural areas closing during the period															
	7-1-66 to 9-30-68		10-1-68 to 9-30-71		10-1-71 to 9-30-74		10-1-74 to 9-30-77		10-1-77 to 9-30-80		10-1-80 to 9-30-83		10-1-83 to 12-31-86		Overall	
	Total	No other in county	Total	No other in county	Total	No other in county	Total	No other in county	Total	No other in county	Total	No other in county	Total	No other in county	Total	No other in county
Alabama	•	•	3	0	•	•	1	0	2	0	1	0	•	•	7	0
Alaska	1	0	•	•	•	•	•	•	•	•	1	1	•	•	2	1
Arizona	•	•	2	0	2	0	2	0	1	0	•	•	•	•	7	0
Arkansas	•	•	7	2	2	2	1	0	•	•	•	•	1	1	11	5
California	1	0	4	0	5	0	1	0	1	0	•	•	1	0	13	0
Colorado	1	0	•	•	•	•	1	0	•	•	1	0	3	2	6	2
Florida	1	0	1	0	3	0	•	•	1	0	•	•	•	•	6	0
Georgia	•	•	1	1	2	0	•	•	3	1	•	•	•	•	6	2
Idaho	4	0	1	0	•	•	•	•	1	0	•	•	•	•	6	0
Illinois	3	0	3	0	1	0	3	0	5	0	2	0	•	•	17	0
Indiana	•	•	•	•	1	0	1	0	1	0	•	•	•	•	3	0
Iowa	3	0	2	0	1	0	2	0	1	0	•	•	•	•	9	0
Kansas	2	0	6	0	1	0	1	0	•	•	•	•	2	0	12	0
Kentucky	5	1	4	0	3	0	1	0	•	•	•	•	•	•	13	1
Louisiana	3	0	8	0	6	0	1	0	1	0	1	0	1	0	21	0
Maine	•	•	2	0	1	0	1	0	1	0	3	0	•	•	8	0
Michigan	1	0	1	0	1	0	•	•	1	0	1	0	1	0	6	0
Minnesota	1	0	2	0	1	0	•	•	2	0	1	0	1	1	8	1
Mississippi	3	0	4	0	1	0	•	•	1	0	•	•	3	0	12	0
Missouri	•	•	3	0	2	0	2	0	3	0	•	•	5	2	15	2
Montana	1	0	1	0	2	1	1	0	•	•	•	•	1	1	6	2
Nebraska	2	0	2	1	4	1	4	0	2	1	1	0	1	0	16	3
Nevada	•	•	•	•	•	•	•	•	1	0	•	•	•	•	1	0
New Hampshire	•	•	1	0	•	•	•	•	•	•	•	•	•	•	1	0
New Mexico	•	•	2	0	5	0	•	•	2	1	1	0	1	0	11	1
New York	•	•	•	•	•	•	4	0	1	0	2	0	•	•	7	0
North Carolina	•	•	4	0	1	0	•	•	1	1	•	•	1	1	7	2
North Dakota	1	0	1	0	2	1	2	2	•	•	•	•	1	1	7	4
Ohio	•	•	1	0	•	•	1	0	•	•	•	•	•	•	2	0
Oklahoma	7	0	12	0	1	0	4	0	1	0	2	0	•	•	27	0
Oregon	•	•	2	0	4	0	1	0	•	•	•	•	•	•	7	0
Pennsylvania	•	•	1	0	2	0	•	•	•	•	1	0	3	0	7	0
South Carolina	1	0	2	0	1	0	•	•	•	•	•	•	•	•	4	0
South Dakota	4	2	4	1	5	1	•	•	•	•	•	•	2	1	15	5
Tennessee	1	0	6	0	4	0	1	0	•	•	3	0	1	1	16	1

(continued)

**Appendix I
Rural Hospitals Closed During
Various Periods**

State	Number of hospitals in rural areas closing during the period															
	7-1-66 to 9-30-68		10-1-68 to 9-30-71		10-1-71 to 9-30-74		10-1-74 to 9-30-77		10-1-77 to 9-30-80		10-1-80 to 9-30-83		10-1-83 to 12-31-86		Overall	
	Total	No other in county	Total	No other in county	Total	No other in county	Total	No other in county	Total	No other in county	Total	No other in county	Total	No other in county	Total	No other in county
Texas	20	1	25	3	10	0	12	2	7	2	4	2	9	3	87	13
Utah	1	0	•	•	1	0	•	•	•	•	•	•	•	•	2	0
Vermont	2	0	•	•	3	0	•	•	2	0	•	•	•	•	7	0
Virginia	•	•	•	•	3	0	•	•	2	1	•	•	1	0	6	1
Washington	1	0	2	0	2	1	1	0	•	•	•	•	•	•	6	1
West Virginia	1	0	•	•	1	0	1	0	1	0	•	•	1	0	5	0
Wisconsin	•	•	5	1	3	0	•	•	•	•	•	•	1	0	9	1
Wyoming	2	0	•	•	•	•	•	•	•	•	•	•	•	•	2	0
Total	73	4	125	9	87	7	50	4	45	7	25	3	41	14	446	48



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