MEDICARE

Information on Medicare-Dependent Hospitals

What GAO Found

The Centers for Medicare & Medicaid Services (CMS) operates the Medicare-dependent Hospital (MDH) program, which assists hospitals that have 60 percent or more of inpatient days or discharges from Medicare patients, 100 or fewer beds, and that are generally located in a rural area. MDHs receive an additional payment if their historic costs in one of three base years adjusted for inflation, among other things, are higher than what the hospital would have otherwise received under the inpatient prospective payment system (IPPS). In contrast, if the IPPS amount was higher than historic costs, the MDH would receive no additional payment. In fiscal year 2018, CMS paid approximately $119 million in additional payments to MDHs.

From fiscal years 2011 through 2017, the number of MDHs declined by around 28 percent. (See figure.) In addition, the number of MDHs that received an additional payment declined by around 15 percent. Over this period of time, MDHs also experienced a 13 percent decrease in the share of their Medicare revenue that came from inpatient services. In addition, there was a decline in the share of total MDH revenue that was attributed to Medicare patients, and a decline in Medicare profit margins by about 6 percentage points.