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Medicare Could Save Billions With Comparable Access for Enrollees if Critical Access Hospital Payments for Swing-Bed Services Were Similar to Those of the Fee-for-Service Prospective Payment System

Why OIG Did This Audit

- Congress established the Rural Flexibility Program, which created Critical Access Hospitals (CAHs), to ensure that enrollees in rural areas have access to a range of hospital services.

- CAHs provide "swing-bed" services, which are similar to services performed at a skilled nursing facility (SNF).

- Medicare reimburses CAHs at 101 percent of their reasonable costs rather than at rates set by Medicare's prospective payment system (PPS) or Medicare's fee schedules.

- A prior Office of Inspector General report issued in 2015 recommended that CMS seek legislation to adjust CAH swing-bed reimbursement rates to the lower SNF PPS rates paid for similar services at alternative facilities. The recommendation remains open and unimplemented.

What OIG Found

- Swing-bed utilization for skilled nursing services at CAHs increased by 2.8 percent from CY 2015 through 2020; meanwhile, the average daily reimbursement amount increased by 16.6 percent over the same period.

- Based on our sample results, we found that 87 of 100 sampled CAHs were within a 35-mile driving distance of an alternative facility that had skilled nursing care available and estimate that 1,128 of the 1,297 CAHs in our sampling frame had an alternative facility within 35 miles that could have provided care during CY 2020.

- Based on our sample results and mathematical calculation, we estimate that Medicare could have saved up to $7.7 billion over a 6-year period if payments made at CAHs were reimbursed using SNF PPS rates.

What OIG Recommends

We recommend that CMS seek a legislative change that will allow it to reimburse CAHs at rates that align with those paid to alternative facilities when it determines that similar care is available at alternative facilities.

CMS did not concur with our recommendation.