



February 28, 2020

The Honorable Alex Azar
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue S.W.
Washington, D.C. 20201

CC:

The Honorable Eric D. Hargan
Deputy Secretary
Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Secretary Azar:

Thank you for your commitment to improve the many grave health challenges in rural America, especially improving rural patients' access to care. It is sincerely appreciated. As the national organizations representing Rural Health Clinics, we write to you to express our concerns regarding the Administration's 2021 HHS budget proposal to modernize payments for rural health clinics.

Rural Health Clinics (RHCs) are the cornerstone of primary-care access in rural America. Over 4,500 RHCs provide critical preventative and primary care for over 7 million patients in underserved rural communities across the nation. However, inadequate reimbursement, regulatory and policy changes have caused hundreds of RHCs to shutter their doors. We strongly commend HHS for recognizing that Medicare payments for RHCs subject to the cap are inadequate and that these RHCs are disproportionately likely to close. We also agree that something must be done to modernize Medicare reimbursement for RHCs and appreciate the Administration's attempt to do this. However, we are concerned that the proposal outlined in the 2021 HHS budget would have several negative and unintended consequences. The full proposal in the budget is as follows:

Modernize Payment for Rural Health Clinics

CMS has been limited to annual updates to the cap on Medicare payments to many rural health clinics based on increases in the Medicare Economic Index for many years, raising concerns that payments are inadequate. Rural health clinics subject to the cap are disproportionately likely to close compared to other clinics. This proposal establishes a new Medicare prospective payment system for rural health clinics with annual updates based on a market basket derived from cost report data and rebased periodically, similar to the recently-implemented payment system for Federally Qualified Health Centers. This new payment system would ensure equitable payment for these health clinics and help

rural communities maintain access to these crucial services. [\$1.8 billion in savings over 10 years]

Our concerns include:

- 1) Converting to a prospective payment system for rural health clinics similar to FQHCs would be a major disruption to RHC Medicare reimbursement resulting in a number of winners and losers. In particular, it is likely that many hospital-owned RHCs, would see significant cuts to their reimbursement which would only exacerbate rural health clinic closures;
- 2) Moving away from a cost-based system to a prospective payment system would fundamentally alter the way a rural health clinic operates and create a perverse incentive to maximize volume over value; and
- 3) Reducing spending by an estimated \$1.8 billion over ten years, will likely mean this policy would reduce overall RHC reimbursement, threatening healthcare access in rural and underserved areas.

Secretary Azar, we know that the intent of this proposal, as you stated in the February 27, 2020 Ways and Means hearing, is to improve access to care for Rural Health Clinics. Unfortunately, we are concerned that it may have the opposite effect. During Representative's Adrian Smith's questioning, you mentioned that you "had not heard the concerns" about the RHC payment modernization proposal but "would love to learn more." As such, we thought we should take the opportunity to enumerate our concerns in this letter. Please know that we would love to work with you to help stabilize and modernize RHCs, improve access to primary care and improve health outcomes for all rural Americans.

Sincerely,

Bill Finerfrock

Bill Finerfrock
Executive Director
National Association of Rural Health Clinics

Alan Morgan

Alan Morgan
Chief Executive Officer
National Rural Health Association