

Federal Items for Discussion

Average Wage Index

With the elimination of the low-wage index policy, many hospitals are struggling to remain competitive in recruiting and retaining qualified healthcare professionals. To address these disparities, the following policy adjustments should be considered:

- Expand the geographic reclassification radius from 35 miles to 50 miles to reflect modern workforce and referral patterns.
- Remove the “closest CBSA” requirement for Rural Referral Center (RRC) designation to provide greater flexibility.
- Eliminate the rate reduction for hospitals that are reclassified and allow payment at the full rate of the CBSA to which they are reclassified.

Rural Emergency Hospital (REH) Designation

There has been limited adoption of the REH model due to several financial and operational concerns. To make this designation more viable and attractive to providers, the following changes are recommended:

- Enable REH participation in the 340B Drug Pricing Program—similar to Critical Access Hospitals (CAHs)—to enhance access to affordable medications.
- Resolve Medicaid payment inconsistencies, ensuring that state Medicaid programs recognize REHs as hospitals rather than paying only clinic rates, aligning with Medicare’s recognition.
- Redefine “rural” for program eligibility using the definition adopted by the Office of Rural Health Policy rather than CBSA standards, which better reflect actual rural conditions.

340B Program Protections

To preserve the sustainability of rural and safety-net hospitals participating in the 340B program:

- Discontinue the current pilot program requiring hospitals to pay standard prices upfront and seek rebates from manufacturers, as it imposes significant administrative burdens and increases denial risk.
- Clarify Disproportionate Share Hospital (DSH) criteria for 340B eligibility to ensure consistent application across states.

Mississippi Example – Stabilizing 340B Eligibility

Two potential policy options to ensure continued 340B access for Mississippi’s rural hospitals include:

1. Automatic qualification for Sole Community Hospital (SCH) or Rural Referral Center (RRC) status—similar to CAH—while maintaining the 11.75% adjustment for other hospitals.
2. Lower the DSH qualification threshold to 10% while maintaining the 8% adjustment for RRC and SCH facilities.