
Medicare Provider Reimbursement Manual Part 1 - Chapter 28 Prospective Payments

Department of Health and
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HEALTH CARE FINANCING
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NEW/REVISED MATERIAL--EFFECTIVE DATE: September 30, 1988

Section 2810, Special Treatment of Sole Community Hospitals Under Prospective Payment System, conforms the language to the policy and practice adopted by HCFA effective October 1, 1988. See 53 *Federal Register* (FR) 38476, 38510-12 (September 30, 1988), as explicitly reaffirmed in 1996 in 61 FR 27444, 27471 (May 31, 1996) and 61 FR 46166, 46203 (August 30, 1996). Subsection A.2.c deletes the description of service areas as contiguous and corrects language to reflect HCFA policy on determining a hospital's service area. Subsection B.3.a. deletes the description of service areas as contiguous and clarifies the required application submission.

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c. The hospital is located between 15 and 35 miles from other like hospitals, and, because of local topography or periods of prolonged severe weather conditions, the other like hospitals are inaccessible for at least 30 days in each of 2 out of 3 years.

An SCH classification is not available for hospitals located within 15 miles of another like hospital. Additionally, hospitals located in urban areas, i.e., MSAs, NECMAs, or those counties deemed urban, may not be classified as SCHs unless they had been granted an SCH exemption under the cost limits prior to October 1, 1983. Since local commuting patterns are considered in establishing the urban designations, residents in urban areas generally have access to hospital services either by living in close proximity to a hospital or by establishing a heavy commuting pattern to an area in which a hospital is located.

In evaluating the distance between hospitals, HCFA measures the most direct (i.e., shortest) route between the facilities using improved road miles. An improved road is a road that is maintained for regular use by a governmental entity (i.e., local, State, or Federal) and that is available for use by the general public.

The term "like hospitals," for purposes of making a determination on SCH designations, applies to those hospitals furnishing short-term acute care services. A hospital may not qualify for an SCH classification on the basis that neighboring hospitals do not offer comparable specialty services. For example, a hospital that has an intensive care unit is not classified as an SCH even though another neighboring acute care hospital does not furnish this specialty service.

A hospital's service area is the area from which the hospital draws at least 75 percent of its inpatients during the most recently completed cost reporting period ending before it files for SCH status. A hospital may define its service area as the lowest number of zip codes from which the hospital draws at least 75 percent of its inpatients, or it may use boundaries established by the statewide health planning agency. **Additionally, documented data from any independent source that can be used to identify the hospital's service area, such as a State hospital association, will be considered and reviewed, provided that HCFA is able to verify that a hospital drew at least 75 percent of its inpatients from the defined service area.**

B. Requesting SCH Classification--A hospital that believes it qualifies as an SCH under the criteria listed above may submit a written request to be designated as an SCH to its fiscal intermediary at any time during its cost reporting period. The hospital's request must include the following documentation to substantiate its request:

1. Information on Requesting Hospital--A hospital's request must show the requesting hospital's name, address, county, urban/rural classification, type, bed size, and provider number.

2. Location of Neighboring Hospitals.--The hospital must submit the name and address of all hospitals within a 35-mile radius of the requesting hospital. In addition, the requesting hospital must submit a detailed road map showing the most direct route to each neighboring hospital using "improved roads" as defined above and actual road mileage to each hospital.

3. Utilization Data.--If a hospital is requesting SCH classification on the basis that it is located between 25 and 35 miles of another hospital and no more than 25 percent of the service area residents utilize services at another hospital (see subsection A.2.b.), the requesting hospital must submit the following information on utilization and service areas.

a. **A map depicting** the hospital's service area and a description of how the service area **was** determined must be submitted.

b. If a statewide planning agency has not established the boundaries of the hospital's service area, admissions data showing the address of every patient admitted during the most recently completed cost reporting period must be submitted. Admissions data must be displayed so that the reviewer may easily verify the construction of the service area from this documentation. For example, if the service area **was** established by using postal zip codes, the admissions data must be grouped by area zip codes.

c. In order to document that no more than 25 percent of the residents or, if applicable, Medicare beneficiaries from the hospital's service area were admitted to other like hospitals for care, admissions data from all hospitals located within 35 miles of the requesting hospital or, if larger, the requesting hospital's service area, must be analyzed. In many areas, the State hospital association periodically analyzes hospital market areas and can produce the utilization data necessary for making this determination.

In the event that existing data are not available on utilization, the requesting hospital gathers the information necessary to permit an evaluation of utilization of other like hospitals. These utilization data are gathered on general resident usage or Medicare beneficiary utilization. Such data gathering may involve the cooperation of the neighboring hospitals in order to assure that information is valid and reliable. The fiscal intermediary may also assist the hospital in obtaining such documentation provided identifying information of the beneficiary is withheld.

If a hospital is unable to collect the data necessary to document the percentage of patients it admits, it may request HCFA's assistance. Using central office records, HCFA can furnish data on Medicare admissions to identified hospitals for specific periods of time. The hospital's request is submitted through its fiscal intermediary and must include its full name, provider number, and a statement that it is requesting admissions information for SCH qualification. The hospital's request must furnish a listing of zip