

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services



Hospital Reclassifications

FACT SHEET



Please note: The information in this publication applies only to the Medicare Fee-For-Service Program (also known as Original Medicare).

This publication provides the following information about hospital reclassifications:

- Urban to rural reclassification;
- Geographic reclassification;
- Rural Referral Center (RRC) status;
- Sole Community Hospital (SCH) status;
- Critical Access Hospital (CAH) status; and
- Resources.



When “you” is used in this publication, we are referring to hospitals.

URBAN TO RURAL RECLASSIFICATION

Any Inpatient Prospective Payment System (IPPS) hospital located in an urban area may be reclassified as rural by meeting **one** of the following criteria:

1. It is located in a rural census tract of a Metropolitan Statistical Area (MSA) in the most recent version of the Goldsmith Modification, Rural-Urban Commuting Area (RUCA) codes;
2. Any State law or regulation deems it to be a rural hospital or located in a rural area; or
3. It would meet all requirements of a RRC or a SCH if it was located in a rural area.

You may mail an application to the Centers for Medicare & Medicaid Services (CMS) Regional Office (RO) at any time. The CMS RO will approve or disapprove applications within 60 days.

While the rural reclassification is in effect, you may not be approved for any additional reclassification. Cancellation of the rural reclassification is effective beginning with the next full cost reporting period. RRCs must retain rural status for one full cost reporting cycle, and cancellation is not effective until the start of the next Federal fiscal year (FY) following such cost reporting period.

GEOGRAPHIC RECLASSIFICATION

If you believe you compete for labor in a nearby market and desire that wage index, you must meet the following criteria:

1. Proximity – The distance from the hospital to the new designation area is (waived for RRCs and SCHs that are applying to the nearest urban or rural area):
 - 35 miles for hospitals in rural areas and 15 miles for hospitals in urban areas; **or**
 - At least 50 percent of hospital employees reside in the requested area; and
2. Average Hourly Wage (AHW) Data Comparison for FY 2011 and following years:
 - Wages must be greater than a percentage of the AHW in the current area (waived for RRCs):
 - 106 percent for hospitals in rural areas; and

- 108 percent for hospitals in urban areas; and
- Wages must be no less than a percentage of the AHW in the requested area:
 - 82 percent for hospitals in rural areas; and
 - 84 percent for hospitals in urban areas.

All IPPS hospitals in a county that believe they should receive a wage index competitive with a nearby area may request to reclassify as a group to a nearby MSA. You must meet the following criteria:

1. Proximity:

- The county must be adjacent to the requested designation area;
- Rural counties must qualify as an outlying county to the requested area:
 - At least 25 percent of employed county residents commute to the core counties in the requested area; **or**
 - At least 25 percent of workers in the county reside in the requested area; and
- Urban counties must be located in the same Combined Statistical Area or Core-Based Statistical Area as the requested area;



2. The aggregate AHW of the county group must be no less than 85 percent of the AHW in the requested area; and
3. The requested area wage index must be greater than the current area wage index.

The Medicare Geographic Classification Review Board (MGCRB) and CMS must receive a completed application no later than 13 months prior to the start of the Federal FY in which the reclassification is effective. For example, for a geographic reclassification that is effective on October 1, 2016, the MGCRB and CMS must receive a completed application by September 1, 2015 (or the first business day of September). After reviewing comments and testimony from you and CMS, and within 180 days of the September 1 deadline, the MGCRB will make its decision.

You have 15 days to request Administrator review of any MGCRB decision that you find unsatisfactory. Within 90 days of the request for review, the Administrator may overturn the MGCRB decision or may take no action. Geographic reclassifications are in effect for 3 Federal FYs.

The example on page 4, which we provide for explanatory purposes only, shows application and appeal timelines for a geographic reclassification that is effective on October 1, 2016.

Geographic Reclassification Timelines Example

Application  Appeal 

9/1/15	2/28/16	3/15/16	3/30/16	4/9/16	6/13/16
Application must be received by the MGCRB and CMS	MGCRB decision due	Hospital appeal of the MGCRB's decision due	CMS comments due	Hospital response due	Administrator decision due

For more information about geographic reclassification, refer to the Code of Federal Regulations” (CFR) citations listed below located at <http://www.gpo.gov/fdsys/browse/collection.action?collectionCode=FR> on the United States Government Printing Office (GPO) website:

- Individual geographic redesignation – 42 CFR 412.230;
- Proximity criteria – 42 CFR 412.230(b-c);
- SCH and RRC exception to proximity requirement – 42 CFR 412.230(a)(3);
- Wage data criteria – 42 CFR 412.230(d);
- RRC exception to wage criteria – 42 CFR 412.230(d)(3);
- Rural county group geographic redesignation – 42 CFR 412.232;
- Urban county group geographic redesignation – 42 CFR 412.234;
- Application and review procedures – 42 CFR 412.246-276; and
- Administrator’s review – 42 CFR 412.278.

For more information about outlying counties, refer to the “Federal Register” published on December 27, 2000 (Volume 65, Number 249, page 82228), located at <http://www.gpo.gov/fdsys/pkg/FR-2000-12-27/pdf/00-32997.pdf> on the GPO website.

RRC STATUS

The advantages below apply to hospitals that currently have RRC status or once had RRC status:

1. Proximity:
 - Any hospital that is currently a RRC does not have to demonstrate a close proximity to the area to which it seeks reclassification; and
 - The hospital can apply for reclassification to the closest urban or rural area; and
2. AHW Data Comparison:
 - Any hospital that was ever a RRC is exempt from the 106/108 percent AHW comparison test; and
 - Any hospital that was ever a RRC is only required to meet the 82 percent AHW comparison regardless of its location in an urban or rural area.



SCH STATUS

An advantage also applies to hospitals that currently have SCH status. These hospitals do not have to demonstrate proximity to the area in which it seeks reclassification and can apply for reclassification to the closest urban or rural area.

CAH STATUS

Effective October 1, 2014, under new Office of Management and Budget (OMB) delineations, some CAHs previously located in rural areas may now be located in urban areas. A CAH affected by a new OMB delineation has a 2-year transition period during which it will continue to be treated as a CAH. For a CAH affected by the OMB delineations implemented by CMS effective October 1, 2014, the 2-year transition period runs from October 1, 2014, through September 30, 2016. During the 2-year transition period beginning on the effective date of the designation, an affected CAH must reclassify as rural using the regulations at 42 CFR 412.103 to retain its CAH status after the 2-year transition period ends. This policy to provide for a 2-year transition period also applies to future changes in OMB delineations.

Any CAH located in an urban area may be reclassified as rural by meeting **one** of the following criteria:

1. It is located in a rural census tract of a MSA in the most recent version of the Goldsmith Modification, RUCA codes;
2. Any State law or regulation deems it to be a rural hospital or located in a rural area; or
3. It would meet all requirements of a RRC or a SCH if it was located in a rural area.

You may mail an application to the CMS RO at any time. The CMS RO will approve or disapprove applications within 60 days.

Cancellation of the rural reclassification is effective beginning with the next full cost reporting period.

RESOURCES

Hospital Reclassification Resources

For More Information About...	Resource
Reclassification Requests, Instructions, Applications, and Payment Areas	http://www.cms.gov/Regulations-and-Guidance/Review-Boards/MGCRB on the CMS website
Centers for Medicare & Medicaid Services Regional Offices	http://www.cms.gov/About-CMS/Agency-Information/RegionalOffices on the CMS website
Urban to Rural Reclassification	42 CFR 412.103 located at http://www.gpo.gov/fdsys/browse/collection.action?collectionCode=FR on the GPO website
Goldsmith Modification, Rural-Urban Commuting Area Codes	http://www.hrsa.gov/ruralhealth/policy/definition_of_rural.html on the Health Resources and Services Administration website
All Available Medicare Learning Network® (MLN) Products	<p>“MLN Catalog” located at http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/MLNCatalog.pdf on the CMS website or scan the Quick Response (QR) code on the right</p> 
Provider-Specific Medicare Information	MLN publication titled “MLN Guided Pathways: Provider Specific Medicare Resources” booklet located at http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNEdWebGuide/Downloads/Guided_Pathways_Provider_Specific_booklet.pdf on the CMS website
Medicare Information for Beneficiaries	http://www.medicare.gov on the CMS website



This fact sheet was current at the time it was published or uploaded onto the web. Medicare policy changes frequently so links to the source documents have been provided within the document for your reference.

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