



## Safety Net Hospitals for Pharmaceutical Access

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### **Definitions of Critical Access Hospitals, Sole Community Hospitals, Rural Referral Centers and Free-standing Cancer Hospitals**

*Note: The first three definitions were adapted from fact sheets prepared by the Centers for Medicare and Medicaid Services and the fourth from other public sources.*

#### **Critical Access Hospitals**

Critical access hospitals (CAHs) are a separate provider type under Medicare with their own conditions of participation and payment method. As a result, they do not have a DSH percentage and most of the approximately 1,300 are eligible to participate in 340B. To qualify, they either have to be publicly owned or be a private nonprofit institution with a contract with state or local government to serve the indigent.

To be designated a CAH, a hospital must:

1. be located in a state with a State Flex Program (Connecticut, Delaware, Maryland, New Jersey and Rhode Island do not have such programs);
2. be located in a rural area (or be treated as rural under a special provision that allows qualified hospital providers in urban areas to be treated as rural for purposes of becoming a CAH);
3. furnish 24-hour emergency care services, using either on-site or on-call staff;
4. have 25 or fewer inpatient acute care beds (a CAH, however, may operate a rehabilitation or psychiatric unit, each with up to 10 beds);
5. have an average annual length of stay of 96 hours or less; and
6. be located either more than 35 miles from the nearest hospital or CAH or more than 15 miles in areas with mountainous terrain or only secondary roads, or be state certified as of December 31, 2005 as a "necessary provider" of health care services to area residents.

#### **Sole Community Hospitals**

Sole community hospitals (SCHs) must have a Medicare DSH percentage of 8 percent or higher to participate in 340B. Previously, they had to meet an 11.75 percent eligibility threshold. Fewer than 100 SCHs and Rural Referral Centers (see below) fall between the 8 and 11.75 percent levels. SCHs also need to be either publicly owned or be a private nonprofit institution with a contract with state or local government to serve the indigent.

SCHs must be located more than 35 miles from other like hospitals. Or, they can be located in a rural area and meet one of the following conditions:

1. The hospital is between 25 and 35 miles from other like hospitals and meets

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one of these criteria:

- a) No more than 25 percent of residents who become hospital inpatients or no more than 25 percent of Medicare beneficiaries who become hospital inpatients in the hospital's service area are admitted to other like hospitals within a 35-mile radius of the hospital or, if larger, within its service area.
  - b) The hospital has fewer than 50 beds and would meet the 25 percent criterion above but for the fact that some residents or beneficiaries had to seek specialized care outside of the service area due to the hospital's lack of specialty services.
  - c) Other like hospitals are inaccessible for at least 30 days in each of two out of three years due to local topography or prolonged severe weather conditions.
2. The hospital is between 15 and 25 miles from other like hospitals but because of local topography or prolonged severe weather conditions, other hospitals are inaccessible for at least 30 days in each of two out of three years.
  3. The travel time between it and the nearest like hospital is at least 45 minutes.

### **Rural Referral Centers**

Rural referral centers (RRCs) must have a Medicare DSH percentage of 8 percent to participate in 340B. Previously, they had to meet an 11.75 percent eligibility threshold. They also need to be either publicly owned or be a private nonprofit institution with a contract with state or local government to serve the indigent.

RRCs are high-volume hospitals that treat many complicated cases. In general, a hospital participating in Medicare is classified as a RRC if it is located in a rural area and it meets one of the following criteria:

1. It had 275 or more beds available for use during its most recently completed cost reporting period.
2. It meets all of the following three conditions:
  - a) At least 50 percent of its Medicare patients are referred from other hospitals or from physicians not on the hospital's staff.
  - b) At least 60 percent of its Medicare patients live more than 25 miles away.
  - c) At least 60 percent of all services it furnishes to Medicare beneficiaries go to those living more than 25 miles away.
3. If a rural hospital does not meet the criteria cited above, it can still be classified as an RRC if it meets the conditions below in a) and b) and at least one of the conditions in c), d), or e):
  - a) Its case-mix of discharges for the most recent year must be at least equal to the national case-mix index value as established by CMS or the median case-mix index value for urban hospitals located in each region.
  - b) Its number of discharges is at least 5,000 or the median number of discharges for urban hospitals set by CMS yearly. For an osteopathic hospital, its number of discharges is at least 3,000.
  - c) More than 50 percent of its active medical staff members are specialists.
  - d) At least 60 percent of all discharges are for inpatients who live more than 25 miles away.

- e) At least 40 percent of all inpatients treated at the hospital are referred from other hospitals or from physicians who are not on the hospital's staff. Under the Balanced Budget Act of 1997, any hospitals designated as RRCs in FY 1991 are grandfathered as such.

### **Free-standing Cancer Hospital**

Free-standing cancer hospitals are independent, nonprofit entities that (with one exception) are not parts of larger institutions. While some are affiliated with universities, all maintain financial and administrative independence. Like their fellow free-standing children's hospitals (which may also participate in the 340B program), these cancer hospitals are exempt from Medicare's prospective payment system (PPS). To qualify for 340B, both they and children's hospitals must meet the equivalent of a Medicare DSH adjustment percentage of 11.75 percent. It is unknown how many will be able to satisfy this stringent requirement.

Currently, there are 11 free-standing PPS-exempt cancer hospitals:

1. City of Hope National Medical Center (Duarte, Calif.)
2. USC Kenneth Norris Jr. Cancer Hospital (Los Angeles, Calif.)
3. Dana-Farber Cancer Institute (Boston, Mass.)
4. Sloan-Kettering Memorial Hospital for Cancer and Allied Diseases (N.Y., N.Y.)
5. Roswell Park Cancer Institute (Buffalo, N.Y.)
6. Fox Chase Cancer Center (Philadelphia, Penn.)
7. The University of Texas M.D. Anderson Cancer Center (Houston, Texas)
8. Fred Hutchinson Cancer Research Center (Seattle, Wash.)
9. James Cancer Hospital and Solove Research Institute (Columbus, Ohio)
10. University of Miami Hospital and Clinics (Miami, Fla.)
11. H. Lee Moffitt Cancer Center and Research Institute (Tampa, Fla.)

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