

REMINDER: CRITICAL ACCESS HOSPITALS IN COUNTIES THAT CHANGED TO URBAN IN 2014 MUST RECLASSIFY AS RURAL BY SEPTEMBER 30, 2016

On August 5, 2014, the Centers for Medicare & Medicaid Services ("CMS") issued an Inpatient Prospective Payment System ("IPPS") Final Rule ("Final Rule") adopting the updated labor market area delineations based on the 2010 census. The updated labor market area delineations became effective October 1, 2014. The Final Rule effectively caused, among other changes, several counties to change from rural to urban. However, CMS provided a two-year period for critical access hospitals ("CAHs") located in new urban areas to maintain their CAH status and apply for urban to rural reclassification by September 30, 2016. A more detailed discussion of the changes to the labor market areas is available [here](#).

BACKGROUND

Under the Medicare payment programs, hospitals are classified as either rural or urban status for a variety of purposes. An urban area is defined as within a metropolitan statistical area ("MSA"). MSAs must have at least one urbanized area with a population of at least 50,000 that comprises the central county or counties containing the core, plus adjacent outlying counties that have a high degree of social and economic integration with the central county measured through commuting. Rural areas are defined as an area outside of an urban area.

To be eligible for designation as a CAH, a facility must be located in a rural area, located more than a 35-mile drive (or a 15-mile drive under certain circumstances) from a hospital or another CAH and meet the other requirements in 42 CFR Part 485. Adopting the updated labor market area delineations in the Final Rule converted 105 counties from rural to urban. CAHs now located in urban counties will lose their special rural status under the Medicare program unless they reclassify as rural by September 30, 2016 under 42 CFR § 412.103.

CAHs should work with their attorneys or other advisors to make sure they meet the requirements for reclassification and have a completed application. Urban to rural reclassification applications must be submitted in hard copy to the CMS Regional Office and cannot be sent by email or fax. The CMS Regional Office must review the application and send notification within 60 days of their decision on the reclassification. The reclassification is effective as of the date it was received.

PRACTICAL TAKEAWAYS

- CAHs should confirm whether they are located in a county that changed from rural to urban. A list of CAHs impacted by the Final Rule can be found [here](#).
- Hospitals seeking to maintain their CAH status must apply for reclassification as rural no later than September 30, 2016.
- In applying, CAHs must provide sufficient documentation to prove the CAH has a basis for reclassifying as rural.

If you have any questions or would like additional information about this topic, please contact:

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