

Medicare Payment for Rural or Geographically Isolated Hospitals

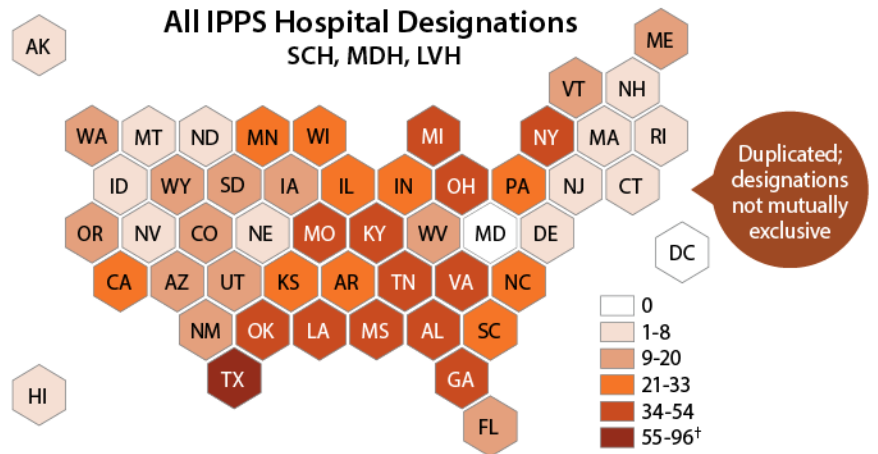
Traditional Medicare pays most acute-care hospitals under the inpatient prospective payment system (IPPS). Some IPPS hospitals receive payment adjustments, which may help address the potential financial distress associated with rural, geographically isolated, and low-volume hospitals. These Medicare payment designations are Sole Community Hospitals (SCHs), Medicare-Dependent Hospitals (MDHs), and Low-Volume Hospitals (LVHs). Other similar acute-care hospitals—Critical Access Hospitals (CAHs)—are paid based on reasonable cost, not under IPPS.

2026

Medicare Hospital Payment

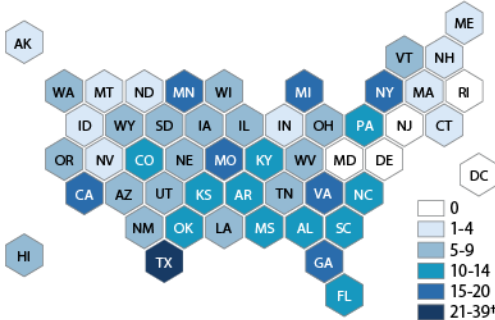
IPPS
Inpatient Prospective Payment System

A predetermined, fixed, per discharge payment for inpatient services furnished to Medicare beneficiaries, subject to adjustments.



HOSPITAL DESIGNATION LOCATIONS

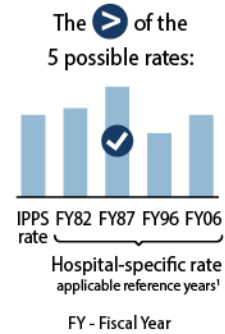
► Sole Community Hospital (SCH)



Meets **ONE** of the following **FOUR** criteria:

- > 35 miles from another IPPS hospital
- Rural and 25-35 miles from another hospital *and*
 - Is the exclusive hospital provider in the area, *or*
 - < 50 beds, meets exclusive hospital provider criterion but for patient transfers to other hospitals for specialized care
- Rural and 15-15 miles from another hospital(s) that is inaccessible due to topography or severe weather conditions
- Rural and ≥ 45-minute drive to nearest other hospital (due to distance, speed limits, and weather conditions)

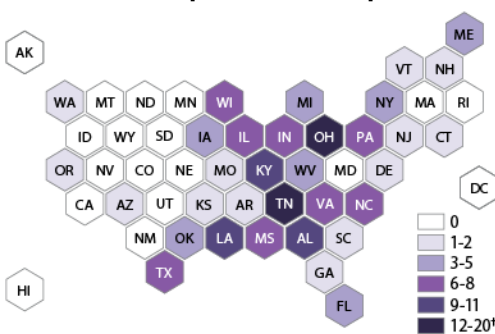
ADJUSTED PAYMENT



NO. of HOSPITALS



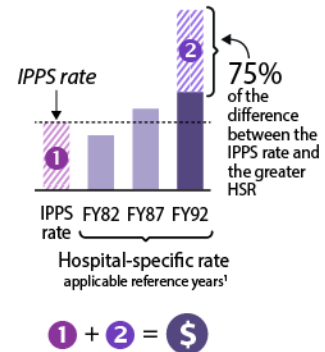
► Medicare-Dependent Hospital (MDH)



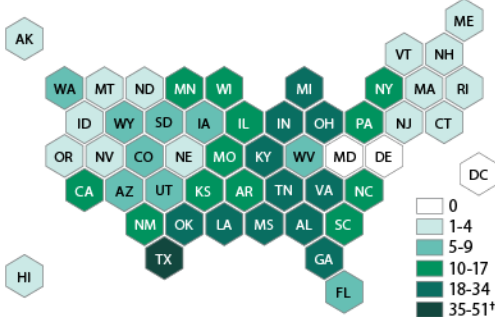
Meets **ALL** of the following criteria:

- Rural
- ≤ 100 beds
- Not an SCH
- ≥ 60% are Medicare patients

MDH is a temporary program that will expire January 1, 2027, if Congress does not extend or make it permanent.



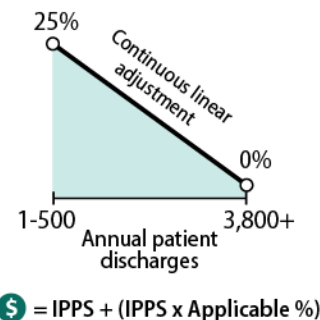
► Low-Volume Hospital (LVH)



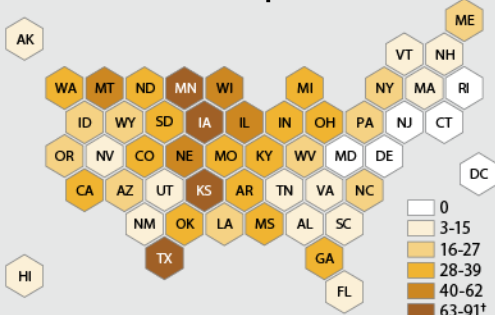
Meets **ALL** of the following criteria:

- > 15 miles from another IPPS hospital
- < 3,800 annual total discharges

LVH eligibility criteria will change effective January 1, 2027, if Congress does not extend the current criteria.



► Critical Access Hospital (CAH)



Meets **ALL** of the following criteria:

- Rural
- ≤ 25 inpatient beds
- 24/7 emergency services
- Annual average length of stay of ≤ 96 hours
- > 35-mile drive from another IPPS hospital or CAH, *or*
 - > 15-mile drive in mountainous terrain, *or*
 - Designated as a "necessary provider" before January 1, 2006

101%
CAH's reasonable costs

1,378

CAHs are not paid by Medicare under IPPS.

¹Hospital-specific rate (HSR): A per-discharge payment based on a hospital's average operating costs for furnishing inpatient services to Medicare beneficiaries. In contrast, IPPS is a per-discharge payment based on the national average operating cost of furnishing inpatient services to Medicare beneficiaries. Both HSR and IPPS use costs from statutorily defined reference years, trended forward.

Designations: ► Mutually exclusive ► Not mutually exclusive *Total number of IPPS hospitals is 3,059 (Maryland hospitals excluded due to IPPS exemption.) ¹Class ranges display only discrete values found in the data.

Sources: CRS analysis of relevant statute, regulations, and Centers for Medicare & Medicaid Services "FY2026 Impact File," www.cms.gov/medicare/payment/prospective-payment-systems/acute-inpatient-pps/fy-2026-ipp-final-rule-home-page; and Health Resources and Services Administration, Data Warehouse, Data Explorer "Health Care Facilities (CMS)" data, <https://data.hrsa.gov/data/data-explorer>, accessed March 25, 2026.

Information as of April 30, 2026. Prepared by Marco Villagrana, Analyst in Health Care Financing; Joe Angert, Research Assistant; Mari Lee, Visual Information Specialist; and Molly Cox, Geospatial Information Systems Analyst.

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