

Critical Access hospitals' Medicare cost sharing

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Basing CAH coinsurance on charges increases beneficiaries' cost-sharing liabilities

- Program payment = 101% of costs minus coinsurance
 - Program payments decrease as beneficiary coinsurance increases
- Beneficiary coinsurance = 20% of charges
 - Charges are list prices and are often far higher than costs or payment rates
 - Mark up of charges over costs varies widely among hospitals and across services within hospitals
- PPS hospital coinsurance = 20% of the payment rate, subject to a cap

Half of CAHs' FFS Medicare outpatient payments are coinsurance

Label	Total 2022 outpatient claims with coinsurance (billions)
Coinsurance billed	\$3.3
Program payments	\$3.2
Total for outpatient services that require coinsurance	\$6.5

- In 2022, 1.9 million Medicare beneficiaries (or their supplemental insurers) were billed an average of \$1,750 in cost sharing for CAH outpatient services
- 16% of rural FFS beneficiaries do not have supplemental insurance
- On average, coinsurance represented 52% of all outpatient payments; in 4% of cases, the full cost was billed as coinsurance

Source: Medicare Payment Advisory Commission

Mark-ups drive coinsurance billed

illustrative example

	Low-mark-up CAH (10th percentile)	Median-mark-up CAH (50th percentile)	High-mark-up CAH (90th percentile)
Cost of line item (e.g., MRI)	\$600	\$600	\$600
Charge for line item	\$1,000	\$1,500	\$2,400
Coinsurance payment (20% of charges)	\$200	\$300	\$480
Program payment	\$406	\$306	\$126
Coinsurance share of total payment	33%	50%	79%

Source: Medicare Payment Advisory Commission

No cap on CAH coinsurance, unlike OPPS hospitals illustrative example

	OPPS coinsurance example (20% of OPPS rate); \$1,676 cap	CAH coinsurance example (20% of charges); no cap
Cost of line item (e.g., joint replacement)	\$13,000	\$13,000
Charge for line item	26,000	26,000
OPPS payment rate	12,867	N/A
Billed as coinsurance	1,676 (the cap)	5,200 (20% of charges)

Note: CAH (critical access hospital), OPPS (outpatient prospective payment system), N/A (not applicable). In 2025, the coinsurance cap on any OPPS line item is \$1,676 (the 2025 inpatient deductible). The OPPS base rate for an outpatient hip replacement coded under ambulatory payment classification code 5115 (Level 5 musculoskeletal procedures) is \$12,867 at hospitals with a wage index of 1 in 2025).