



Office of Rural Hospital Finance and Coordination: Commonly Asked Questions

A. General

1. Is there one definition for rural?

There is no one definition for "rural." [Texas Administrative Code Rule 355.8052 \(Inpatient Hospital Reimbursement\)](#) defines rural hospitals as a hospital enrolled as a Medicaid provider that:

- (A) Is located in a county with 68,750 or fewer persons according to the 2020 U.S. Census;
- (B) is designated by Medicare as a Critical Access Hospital (CAH), a Sole Community Hospital (SCH), or a Rural Referral Center (RRC) that is not located in a Metropolitan Statistical Area (MSA), as defined by the U.S. Office of Management and Budget; or
- (C) meets all of the following:
 - i. has 100 or fewer beds;
 - ii. is designated by Medicare as a CAH, a SCH, or a RRC; and
 - iii. is located in an MSA.

The Health Resources & Services Administration (HRSA) uses the definitions from the United States Census Bureau (Census) and the Office of Management and Budget (OMB), and Rural-Urban Commuting Area (RUCA) codes to create their own definition of rural. Eligibility for rural health funding offered by HRSA can be confirmed by using the [Rural Health Grants Eligibility Analyzer](#).

For purposes of determining rural hospital eligibility in HHSC Medicaid supplemental and directed payment programs and future state-funded grant opportunities to rural hospitals, HHSC defines rural hospitals in accordance with [TAC 355.8052](#).

B. Medicaid Supplemental and Directed Payment Programs (Payment Programs)

1. When will my rural hospital receive Payment Program Payments?

The HHSC Provider Finance Department (PFD) has created a comprehensive payments calendar that includes all Medicaid supplemental and directed payment programs and expected dates related to notification and collection of intergovernmental transfers (IGTs) and payments. Please view the [Fiscal Year 2023 and Fiscal Year 2024 Payment Calendar](#) and note that the dates for payments to participating eligible providers are tentative.

2. Can my rural hospital retroactively apply for a Payment Program?

It is not possible for a rural hospital to retroactively apply for a Payment Program. The calculation for each provider's payment or rate is not independently calculated, and adding a provider in late in the program year could change the payment or rate for all participating providers. The secondary reason is that a change in providers or payments/rates could require documents to be updated, including but not limited to, managed care contracts, program preprints, and actuarial certifications.

C. Rural Emergency Hospitals

1. What is a Rural Emergency Hospital (REH)?

An REH is a new Medicare provider type designed to maintain access to critical emergency and outpatient hospital services in communities that may be unable to support or sustain a Critical Access Hospital (CAH) or small inpatient rural hospital. U.S. Congress established the REH designation in December 2020 through Section 125 of the Consolidated Appropriations Act, 2021, which became effective Jan. 1, 2023. Conversion to an REH allows for the provision of emergency services, observation care and additional medical and health outpatient services, if elected by the REH, that do not exceed an annual per patient average of 24 hours.

According to the Centers for Medicare & Medicaid Services (CMS), the REH designation provides an opportunity for CAHs and certain rural hospitals to avert a potential closure and continue to provide essential services for the communities they serve. Facilities eligible to apply for the REH designation include CAHs and rural acute care hospitals with 50 or fewer beds that were open on Dec. 27, 2020.

Learn more about the REH designation by viewing the [HHSC Rural Hospital Finance and Coordination webpage](#).

D. Local Provider Participation Funds

1. What is a Local Provider Participation Fund (LPPF)?

LPPFs are an optional method of finance for Local Governmental Entities (LGEs) to generate and collect local funding for Texas Medicaid supplemental and directed payment programs. View the '[LPPF Overview \(PDF\)](#)' for more information on LPPFs.

2. How does HHSC provide oversight of LPPFs?

As required by [2024-25 General Appropriations Act, House Bill 1, 88th Legislature, Regular Session, 2023 \(Article II, Health and Human Services Commission, Rider 15\(b\)\)](#) and [Texas Administrative Code, Title 1, Chapter 355, Subchapter L, Local Funds Monitoring](#), all LGEs operating an LPPF are required to report certain information to HHSC. Per Rider 15 and [Title 42 of the Code of Federal Regulations, §433.74](#), HHSC is required to report certain information related to LPPFs to the Texas Legislature and CMS. The PFD Local Funding team monitors the non-federal share funds of Medicaid payments that are provided by LGEs, including LGEs that operate LPPFs. More information on the Local Funding team and LPPFs can be found on the [HHSC Local Funding webpage](#).