How Urban Hospitals Tap Rural Benefits - and Why It Matters

Many urban hospitals are exploiting Medicare's rules by first reclassifying themselves as "administratively rural" to access benefits meant for true rural providers, then using the Geographic Classification Review Board process to reclassify back to urban status for wage index purposes. This dual classification—treated as rural for some payments and urban for others—allows large, well-resourced metropolitan hospitals to maximize reimbursement while diverting critical support away from the rural hospitals that rely on it.

Hospital dual reclassification accelerated significantly - **from 168 hospitals in 2018 to 593 in 2023** - following a patchwork of court decisions and CMS policy changes allowing geographically urban hospitals to reclassify as rural, and then dually classify as urban for purposes of the wage index.

Median bed size for dually classified hospitals is more than 5 times that of rural hospitals in 2023: **285 to 49**. The larger size of these dually classified hospitals means that there are now significantly more geographically urban beds receiving rural benefits than rural beds receiving them.

Dually classified hospitals exhibit **greater financial strength** than either hospitals that are truly rural or only classified as urban, as measured by their general fund balance.

2017:

75 of 866 hospitals with rural status were dually classified, while **791** were true geographically rural hospitals

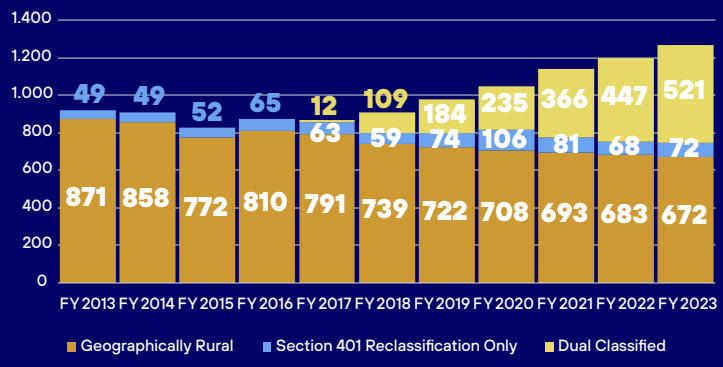
2023:

593 of 1,265 were dually classified, while **672** were true geographically rural hospitals

Most dually classified hospitals are nonprofits, and the top 20 by revenue are major teaching hospitals with net patient revenues from **$2.9B to over $9B**, showing that large, well-funded systems are strategically using this policy to boost reimbursement.

ADMINISTRATIVELY RURAL HOSPITALS CLASSIFICATION (2013-2023)

By receiving dual classification, hospitals are benefiting from a higher urban wage index, additional graduate medical education slots, more generous Medicare funding and potentially expanded eligibility for the 340B program. Because there is no requirement for these hospitals to provide additional rural patient services, there is no visibility into how these additional dollars impact patient care.



CLOSING THE DUAL-CLASSIFICATION LOOPHOLE WOULD REDIRECT RESOURCES TO TRULY RURAL PROVIDERS. TYING RURAL PAYMENT BENEFITS TO ACTUAL GEOGRAPHIC RURALITY WOULD BETTER MATCH POLICY TO NEED, PROTECT ACCESS, AND STRENGTHEN RURAL HEALTH CARE LONG-TERM.

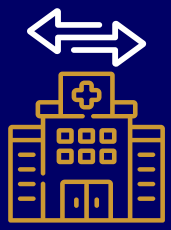
How Urban Hospitals Tap Rural Benefits — and Why It Matters

Some urban hospitals are taking advantage of Medicare rules. They claim "administratively rural" status to access benefits meant for rural providers, while also claiming urban status for wage index payments. This dual classification allows large metropolitan hospitals to receive both rural and urban advantages, pulling funds away from hospitals that truly serve rural communities.

Dual classification grew rapidly — **from 109 hospitals in 2018 to 521 in 2023** — after court rulings and CMS policy changes made it easier for urban hospitals to qualify.

In 2023, dually classified hospitals had a median of **285 beds, compared to 49 beds** at rural hospitals. As a result, more urban beds now receive rural benefits than actual rural beds.

Based on general fund balances, dually classified hospitals are **financially stronger** than both rural and urban-only hospitals.



Dual classification allows hospitals to receive a higher urban wage index and qualify for certain rural programs under easier standards. **They are not required to provide more rural services**, and it's unclear how the extra funding supports patient care.

CLOSING THE DUAL CLASSIFICATION LOOPHOLE WOULD ENSURE HOSPITALS CANNOT CLAIM RURAL STATUS WHILE ALSO RECEIVING HIGHER URBAN WAGE INDEX PAYMENTS, HELPING DIRECT RURAL PROTECTIONS TO THE COMMUNITIES THEY WERE MEANT TO SUPPORT.