The Future of the Rural Hospital

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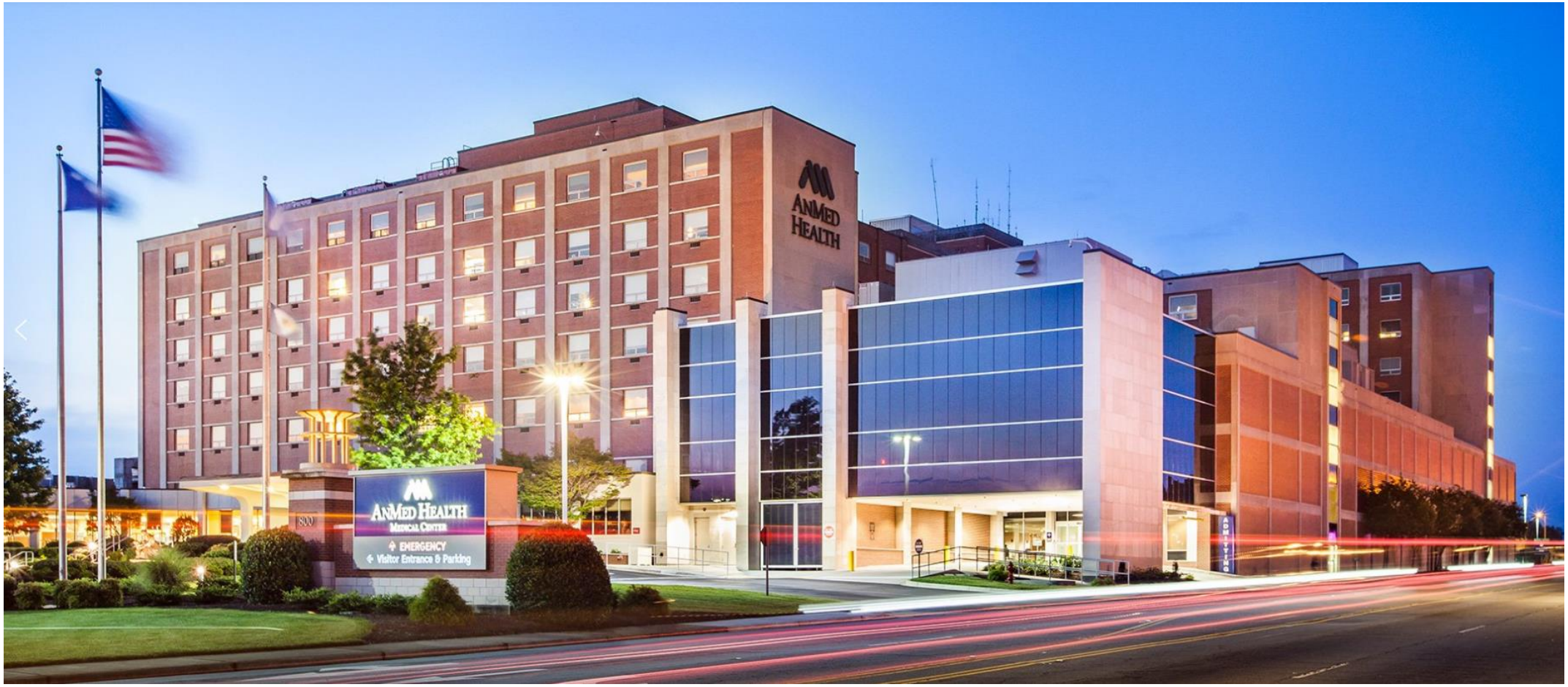
The Life Cycle of a Rural Hospital

- Authorization, Design and Construction
- Decades of Care Delivery
- As the physical plant ages, reinvestment is required. Growing communities can reinvest.
- Without reinvestment, service lines struggle, then close. Many rurals no longer deliver babies or perform surgeries. The ER is the core service.
- In the absence of a partner, these conditions often lead to closure.

Growth: AnMed Health



Growth: Oconee Memorial Hospital

Hospital brings onlookers in '63

An estimated 4,000 people visit Seneca's new, $2 million Oconee Memorial Hospital in 1963.

Replacement: Abbeville Area Medical Ctr

Acquisition: Union Medical Center

Repurposing: McLeod Health Darlington

ER Only: Bamberg County Hospital

ER Only: Barnwell County Hospital

ER Only: Fairfield Memorial Hospital

Full Closure: Marlboro Park Hospital

Marlboro Park Hospital set to close at midnight

by Tonya Brown | Wed, April 22nd 2015, 6:51 PM EDT

Photo from the Marlboro Park Hospital's website

Rural Hospitals in Trouble

According to the North Carolina Rural Health Research Program, **140 rural hospitals closed between January 2010 and September 30, 2022**. (inset)

In addition, a February 2020 Chartis Group report identified 453 financially vulnerable rural hospitals at risk of closing.

A May 2023 report from the Center for Healthcare Quality and Payment Reform found that 600 rural hospitals (30% of all rurals) are at risk of closing.

Why so difficult?

Population Migration

- Rural America lost population over the past decade for the first time in history.
- Between 2010 and 2020 population loss was widespread across rural America, with more than two-thirds of all nonmetropolitan counties losing population.
- Natural increase (births versus deaths), which traditionally provided much of America's rural population gain, diminished almost everywhere.
- In addition, more people left rural America than moved to it.
- Population losses were greatest in rural counties that were far from metropolitan areas.

Source: Professor Kenneth Johnson, senior demographer at the Carsey School of Public Health, University of New Hampshire. Article was published in February of 2022.

Drastic Declines in Surgical Volume

- Rural residents regularly drive 45-60 minutes for shopping, dining, and entertainment. So it's no problem to drive to an urban hospital for surgery.
- In addition, there is compelling evidence that higher-volume surgical centers deliver better outcomes.
- And for longer inpatient stays, the new urban hospital is often more appealing.
- As surgical volumes drop in rural areas, it becomes nearly impossible to recruit surgeons.

Reimbursement Disadvantages

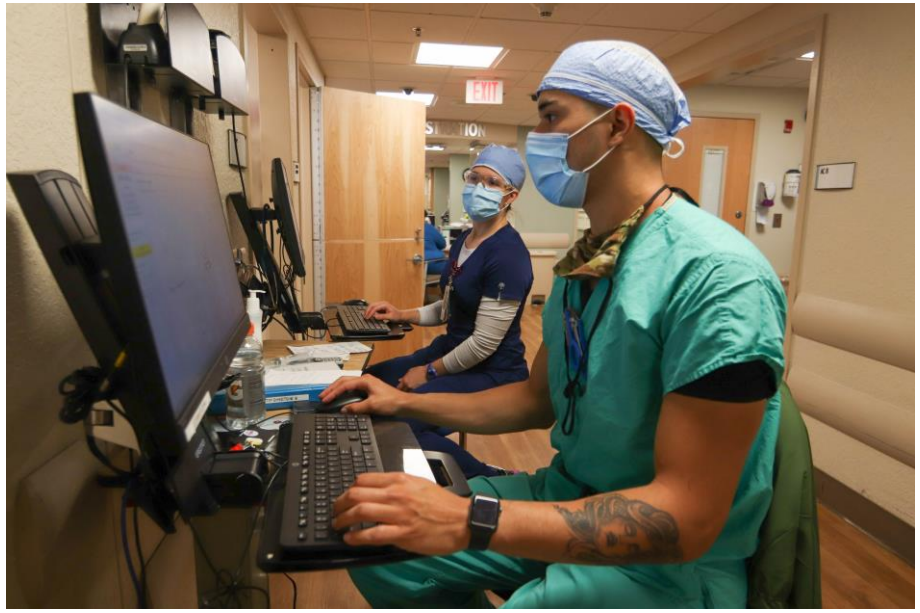
- Government insurance—Medicare, Medicaid, Tricare, etc.—pays lower rates than commercial insurance plans.
- Commercially insured patients are essential to the viability of hospitals, and commercial insurance is most often provided by private employers.
- Rural communities are less likely to attract large private employers, since urban areas offer more housing, education, and entertainment options for their employees.
- As a result, rural workers are more likely to be self-employed (farmers) or government employees (Postal workers, public school teachers, county employees, etc.).
- A healthy hospital has a payer mix that includes a substantial percentage of commercially insured patients. Hospitals that don’t have many commercially insured patients tend to be financially unhealthy.

Technology Costs

- Gone are the days of paper medical records. Modern hospitals—even those located in the most rural parts of America—are required to use electronic medical records. (New graduates are so accustomed to EMRs they will not work for hospitals without them.)

- The cost of an electronic medical record (EMR) can be staggering—with price tags in the millions.

- This investment alone can represent an insurmountable challenge and force partnership discussions with a large regional health system.



Possible Paths Forward

- Reinvest profits or borrow funds to modernize the facility (renovation or replacement)
- Shed unprofitable service lines until a sustainable equilibrium is reached
- Find a health system partner (acquisition, joint venture, management agreement, etc.)
- Convert the building to another use (nursing home, county offices, etc.)
- Close the hospital

Rural Hospitals of the Future

- **Version 1:** Modern facility, narrow service lines, located in a small town

- **Version 2:** Vintage Hill-Burton facility, barely hanging on

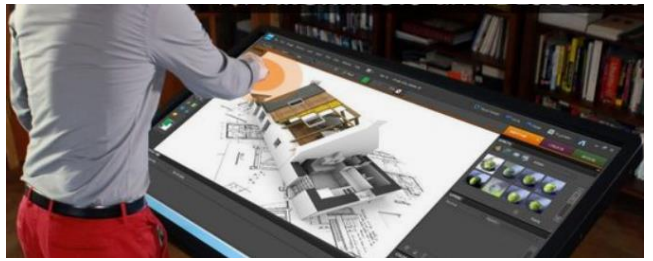
- **Version 3:** Micro-hospital

Rural Hospitals of the Future

- **Version 4:** Rural Emergency Hospital

- **Version 5:** Freestanding Emergency Rooms

- **Version 3:** Innovative Design



Rural Emergency Hospital

Established by Congress in December 2020, rural hospitals were first eligible for the designation in January 2023.

The REH designation is designed to maintain access to critical outpatient hospital services in communities that may not be able to support or sustain a Critical Access Hospital or small rural hospital.

REHs are required to provide 24-hour emergency and observation services and can elect to furnish other outpatient services.

Facilities designated as an REH will receive enhanced Medicare payments for certain outpatient services and additional monthly payments.

REH Services

Required services:

- 24-hour emergency services
- Laboratory services required of Critical Access Hospitals
- Diagnostic radiologic services
- Pharmacy or drug storage area
- Discharge planning under the supervision of an RN, social worker, or other qualified professional.

Allowed outpatient services:

- Behavioral health
- Radiology
- Laboratory
- Outpatient rehabilitation
- A separate, distinct part unit licensed as a Skilled Nursing Facility (SNF)

Micro-Hospital

Small-scale inpatient facility (20,000-50,000 sq ft) that offers a wide range of medical services in a small, neighborhood setting. Most operate 24/7 and have 8-10 observation or short-stay beds.

Many health systems are using micro-hospitals to expand their services and fill gaps in markets where there is not enough demand to support a traditional hospital.

Service mix varies, but most offer ER, lab services, inpatient care, imaging, and pharmacy services. Some also have operating rooms to handle complicated surgeries. Others also offer ancillary services such as primary care, labor and delivery, dietary services and pediatric care.

What do Rural Communities Need?

- Attractive, modern facility
- 24/7 Emergency Care
- Ancillary support services (imaging, lab, pharmacy, observation beds)
- Full range of primary and preventive care (prenatal, dental, behavioral, screenings)
- Tele-health specialty consults
- Quick and easy patient transfer protocols






Necessary Conditions?

- **Money:** New reimbursement model that favors ER, primary and preventive care (as opposed to procedures)
- **Community Self-image:** A new model may look more like a mall than a hospital, but the community will want it to be called “hospital” or “medical center.”
- **Innovative Design:** Modern, flexible, connected, and exciting
- **Co-located:** Retail? Government?

Not an isolated design opportunity…

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