

The Economic Impact of Rural Hospitals on the Oklahoma Economy

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MEDICINE

Need for Analysis- Motivation

- Oklahoma is tied for having the largest number of rural hospitals at high risk of financial distress (17)
- (Pink, George. “CAH Financial Crisis and Flex Opportunities.” 2016 Flex Program Reverse Site Visit, Rockville, MD.)
- Oklahoma FY2017 budget issues and proposed provider cuts

Oklahoma Health Care Authority

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Press Release

March 29, 2016

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OHCA to propose provider rate cuts

The Oklahoma Health Care Authority (OHCA) will begin its public notification process to reduce SoonerCare effective June 1, 2016, in anticipation of the state fiscal year 2017 appropriation.

It takes OHCA 60 days to implement rate changes because of public notification requirements. It takes lag. It is imperative the agency achieves savings during the 12-month period; otherwise, the cut will be of time. A 25 percent rate cut will put SoonerCare provider rates at 64.9 percent of the Medicare rate. If reduced more, additional provider rate cuts will be required. These cuts will affect all provider types in medical equipment suppliers and nursing facilities.

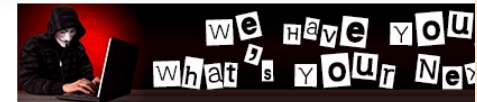
The OHCA currently contracts with 46,129 providers. In addition to the 25 percent provider rate cut, the coinsurance and deductibles on crossover claims.

"I do not take these cuts lightly; as the state's largest health insurer, the Oklahoma Health Care Authority system that serves all Oklahomans. I worry about the infrastructure of our health care system in light of many providers will close their doors to our patients. In some cases, especially in rural parts of our state business to larger communities in order to survive financially" said OHCA CEO Nico Gomez.

In addition to provider rate cuts, the agency is limiting all new professional service contracts and has in the agency has cut administrative costs by \$6.5 million in state funds (more than \$26 million total) which payroll budget and the CEO took a voluntary reduction in his salary. Including the proposed reductions, federal funds reduced from the Oklahoma economy over the last two years and more than \$1 billion in

The provider rate cut notification process begins with required special meetings. Additional information at www.okhca.org/calendar as the information becomes available.

THE JOURNAL RECORD



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Hise: Rural health care realities

By: [Landon Hise](#) Guest Columnist | May 12, 2016



Landon Hise

I've never understood people who cut off their nose to spite their face.

But when it comes to legislative unwillingness to pass the Medicaid Rebalancing Act, I'm afraid that's what state legislators are doing.

When I talk to state legislators about doing the smart thing for state health care and the state's economy and encourage them to accept federal Medicaid funds by passing the MRA, I'm usually told that accepting the money "doesn't make financial sense."

Well, here's what I know based on discussions at every Oklahoma Hospital Association meeting I've attended.

Under the Affordable Care Act, the federal government pays 100 percent of the costs for the Medicaid expansion population through 2016, then 95 percent before leveling off at 90 percent in 2020 and afterward.

Some states have even branched off and implemented their own version of it. Arkansas Works is a hybrid of the current Medicaid expansion, which is called the private option.

Under Arkansas Works, Arkansas would continue to accept federal Medicaid money to pay for private health insurance for low-income Arkansans but would add features. These include referral to voluntary work training for unemployed recipients, premiums of up to 2 percent of their income for recipients earning over 100 percent of the federal poverty level, and a requirement that recipients obtain employer-sponsored insurance if an eligible plan is available.

EDITOR'S PICKS

Lawton among best for single-family investors
by Molly M. Fleming

Investor proposes clean sweep of Williams board
by Sarah Terry-Cobo

Vaulting interest: Youth sports organizations score after Olympics
by Brian Brus

Franchise caters to children with special needs
by Sarah Terry-Cobo

Termination without cause: Three providers cut from SoonerCare without cited reasons since last year
by Dale Denwalt

SPECIAL REPORTS

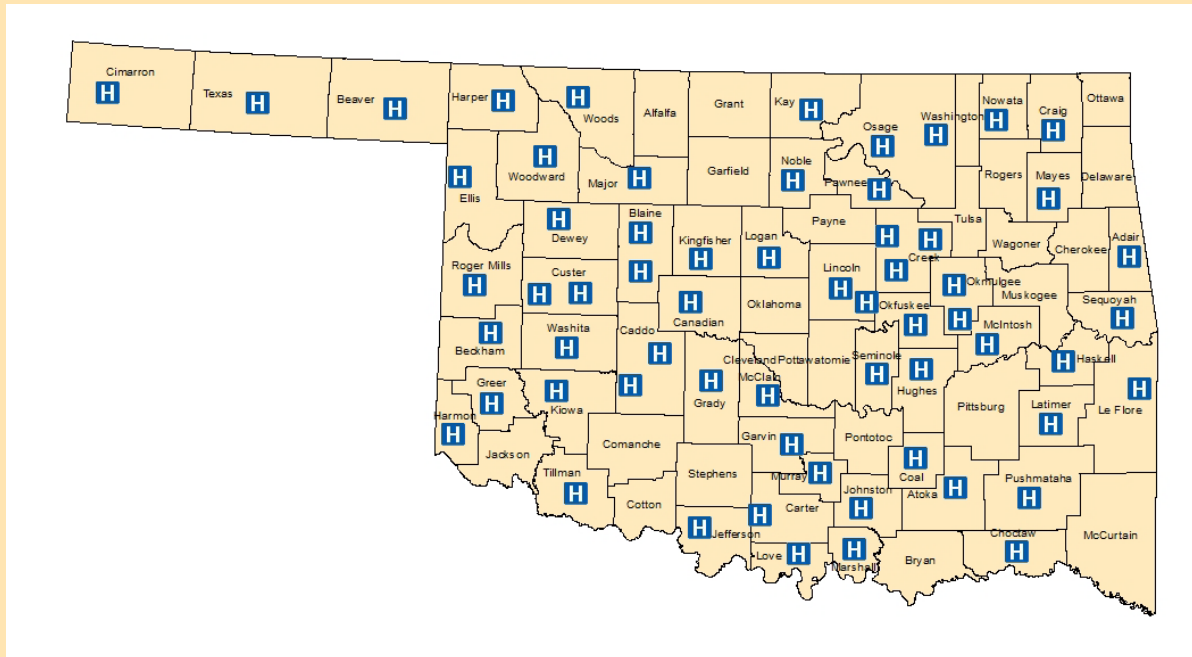
Company left Hugo with unsafe water

Poor construction at Moore schools

Human Trafficking: The bonds that bind them

Data Needs and Sources

- Identify which hospitals should be counted as small rural
 - Bed count?
 - How rural?
 - CAH only?
- Gather employment and payroll for each facility
 - FFY 2014 Medicare cost reports, provided by Oklahoma Hospital Association



Organizing Data and Analyzing

- Remove hospitals that:
 - Have closed
 - Facilities that do not see all patient populations
 - Those in metro core cities (Oklahoma, Tulsa, and Comanche Counties removed)
- Keep hospitals that:
 - Have 49 beds or fewer
- Calculating the multipliers
 - Should a statewide multiplier be used?
 - Should a regional multiplier be used
 - County-level aggregated up to the state?



Table 1. Oklahoma Rural Hospital Characteristics

Total Number of Hospitals	61
Average Number of Beds	28
Minimum Bed Count	14
Maximum Bed Count	49
Average Employment	100
Minimum Employment	36
Maximum Employment	338
Average Payroll	\$5,173,883
Minimum Payroll	\$1,601,542
Maximum Payroll	\$20,775,390
Total Employment	6,112
Total Payroll	\$315,606,869

Source: Individual Hospital Data from FFY 2014 Medicare Cost Reports via Oklahoma Hospital Association

Tools/Software used: Excel

Analyzing and Interpreting

Table 3. Economic Impact of Rural Oklahoma Hospitals

Total Employment	6,112
Employment Multiplier	1.44
Secondary Impacts	<u>2,689</u>
Total Employment Impact	8,801
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Total Payroll/Income	\$315,606,869
Income Multiplier	1.21
Secondary Impacts	<u>\$66,277,442</u>
Total Income Impact	\$381,884,311
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Consumption Rate	30.70%
Taxable Sales within State	\$117,238,484
State Sales Tax Rate	4.50%
State Sales Tax Generated	\$5,275,732

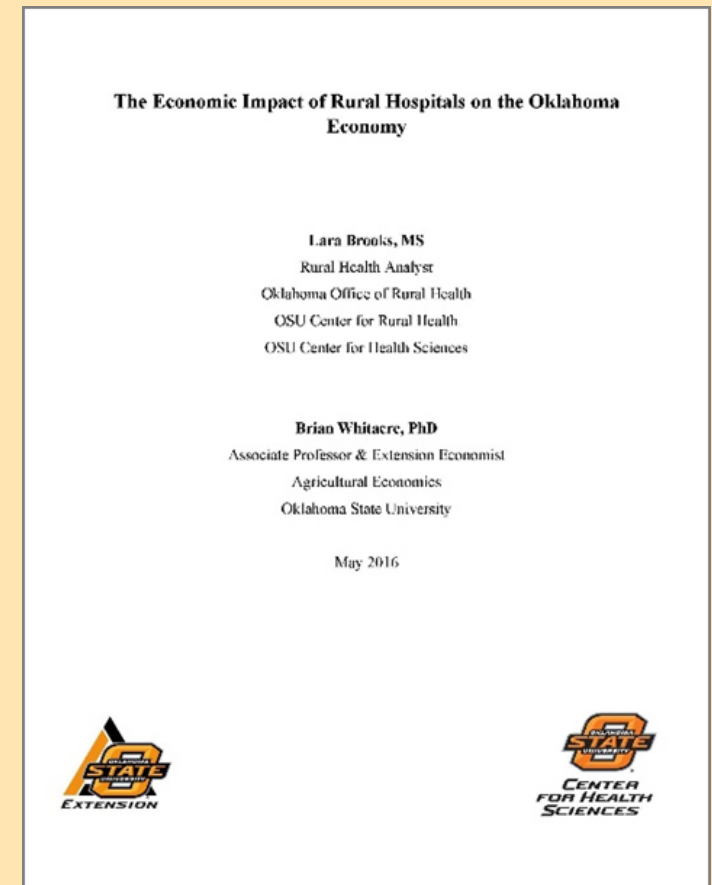
Source: Individual Hospital Data from FFY 2014 Medicare Cost Reports via Oklahoma Hospital Association; 2014 IMPLAN Group Inc.; Oklahoma Tax Commission, Bureau of Economic Analysis

Tools/Software used: Excel and IMPLAN



Communicating the Data and Results- Crafting a Message

- Complete report compiled for Oklahoma Hospital Association
- Possible article in Oklahoma DO Journal (Fall 2016)
- Abstract will be submitted for NRHA 2017 Annual Conference Poster Presentation
- Next, use Tableau to create infographic



Tools/Software Needed: Tableau (infographic), PowerPoint (poster)