

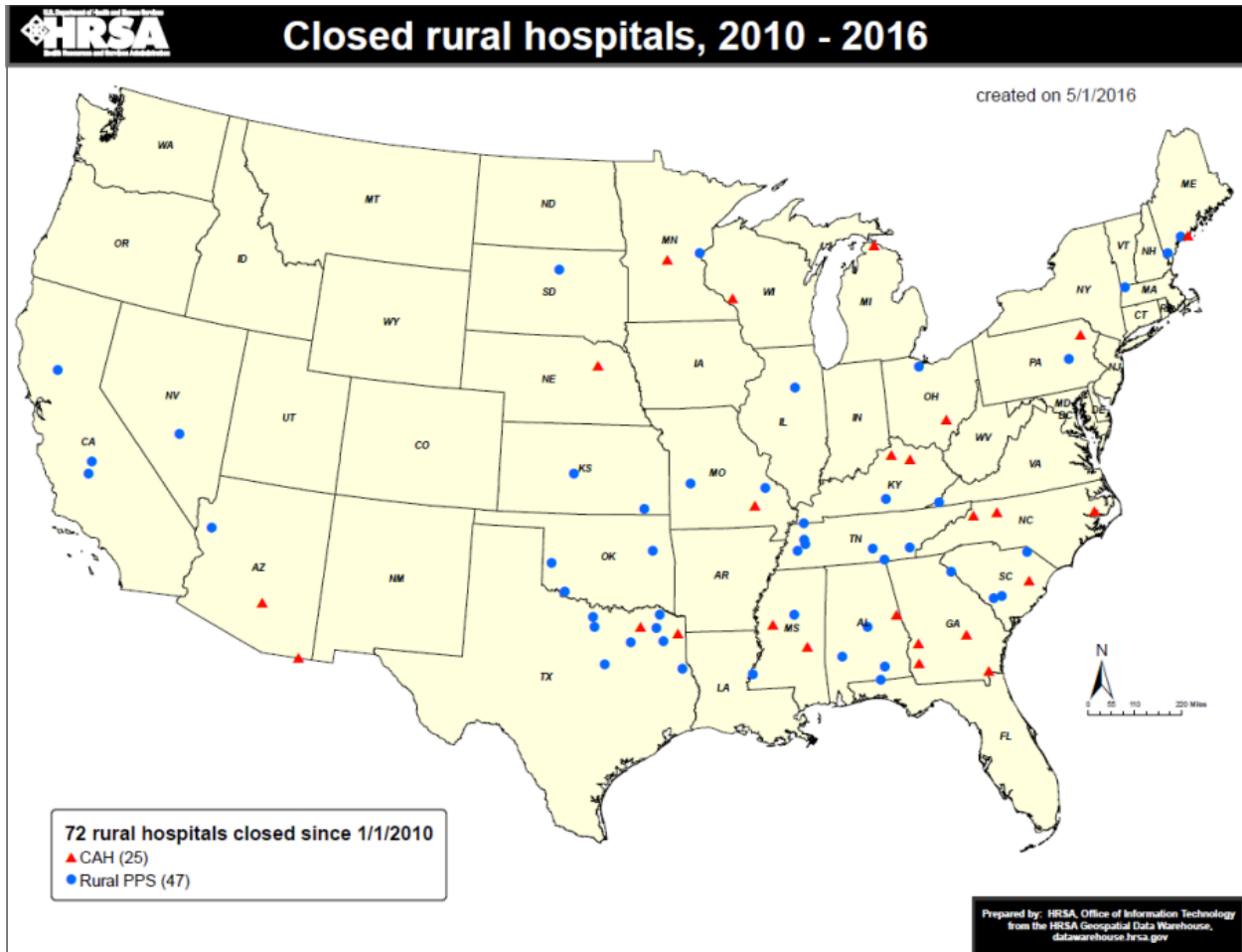


Background on Hospital Closures

States across the nation are experiencing an increase in hospital closure. The North Carolina Rural Health Research Program (NCRHRP) reports that more than 100 rural hospitals have closed their doors to patients in need of inpatient services from 2005 through 2015. Closure rates show no sign of slowing with 12 hospitals closing since January of 2016. The National Rural Health Association reports that 673 additional hospitals are vulnerable and could close. Of these, approximately 200 are at high risk for closure.

There are a number of factors that contribute to the closing of a rural hospital. NCRHRP reports that closed hospitals have similar characteristics from financial to geographic. One report on [The Rising Rate of Rural Hospital Closures](#) concludes that “financial and market characteristics appear to be associated with closure of rural hospitals from 2010 through 2014, suggesting that it is possible to identify hospitals at risk of closure...Potential contributors to the increased rate of closure include population decreases in rural communities, lower rates of inpatient utilization, understanding of the causes or outcomes of this phenomenon, as many potential drivers are confounded. For example, although closing hospitals are more likely to be located in a state not expanding Medicaid, they are also more likely to be in the South, which historically has lower profitability.”

Rural hospitals, in particular those in the South, will likely continue to experience hospital closures according to another report from NCRHRP on [Geographic Variation in Risk of Financial Distress among Rural Hospitals](#), which states “the South census region has the largest percentage of rural hospitals at high and mid-high risk of financial distress...The geographic variation in risk of financial distress among rural hospitals is striking. In Alabama, Arkansas, Hawaii, Oklahoma, and Tennessee, more than one in five rural hospitals are at high risk for financial distress.”



Rural hospitals are especially vulnerable according to another report from NCRHRP titled [2012-14 Profitability of Urban and Rural Hospitals by Medicare Payment Classification](#) states “Compared to urban hospitals, rural hospitals serve older, poorer, and sicker communities where higher percentages of patients are covered through public insurance programs if they are covered at all. Additionally, because of their smaller size and lower patient volumes, rural hospitals are particularly vulnerable to shifts in the economy and demography of their markets as well as to state and federal policy changes. This puts rural hospitals at higher risk of financial distress, closure, or conversion to some other type of health care facility. All of these outcomes may have implications for the communities served by rural hospitals.”

These rural hospital closures have had a big impact on the community as reported in a June 2016 report from the Henry J. Kaiser Family Foundation titled [A Look at Rural Hospital Closures and Implications for Access to Care: Three Case Studies](#) showed that hospital closures reduced local residents’ access to care, especially emergency care, led to an outmigration of health care professionals and worsened preexisting challenges around access to specialty care. The report continues to explain that hospital closures are commonly compounded by other circumstances



in the community including the closing of other major employers leading to the subsequent rise in unemployment and loss of employer health coverage further jeopardizing the community's situation during the recession. The hospital closures examined in this report were a result of corporate business decisions, rather than assessments of local needs or planning with little or no local process of consultation or public input. The theme that emerged in all three case studies is that the hospital closure was a result of the confluence of difficult rural demographic and economic trends, the failure of the hospital or health system to adapt to changing health care payment and delivery systems, aging facilities and challenging payer mixes.

With over 200 rural hospitals at high-risk for closure, this issue will continue to affect many rural communities over the foreseeable future. It is important for State Offices of Rural Health to understand the unique dynamics at stake for the rural hospitals in their states.