The Rural Health Safety Net Under Pressure: Assessing the Impact of COVID-19

Wednesday, May 6, 2020
2:00 – 3:00 pm ET

Presenters:

Michael Topchik
National Leader
The Chartis Center for Rural Health

Troy Brown
Manager
The Chartis Center for Rural Health
Convergence of Multiple Pressure Points

Local and national pressure points creating downward pressure on rural providers.

- Health Disparities
- Population Migration
- Recruitment/Retention
- Healthcare Policies
- Economic Policy
Sustained Pressure on Margins

Evidence of sustained reimbursement pressure coupled with rising operating costs culminate in slim and shrinking operating margins.

“Growing concern of weaker operating performance due to declines in utilization and payor mix”

“United States nonprofit hospitals see decrease in median operating margins”

“Between 2015 and 2020, the number of rural hospitals in the red rose from 39% to 47%.”

Source:
S&P Global Market Intelligence, Not for Profit Healthcare Sector Outlook, Jan 2017; Moody’s, Not-for-Profit Healthcare and Public Hospitals, May 2017; Becker Hospital Review, 50 Things to Know About the Hospital Industry, Jan 2017
### Hospital Operating Margins: Medicaid Expansion and Non-Expansion States

<table>
<thead>
<tr>
<th></th>
<th>Expansion State</th>
<th>Non-Expansion State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Operating Margin</td>
<td>0.8%</td>
<td>-0.3%</td>
</tr>
<tr>
<td>% with Negative Operating Margin</td>
<td>44%</td>
<td>52%</td>
</tr>
</tbody>
</table>
Today 47% of all Rural Providers have a Negative Operating Margin

State-level percentage of rural hospitals with negative operating margin.


39% in 2015
Hospital Closures – May 6, 2020 (128 and counting)

Number of rural hospitals closed since 2010.

Source: Sheps Center, UNC
Rural Hospitals Vulnerable to Closure

Percentage of State Rural Hospitals Determined to be Vulnerable

0 1%—9% 10%—15% 16%—20% 21%—25% 26%—30% 31%—40% 41%+

Percentage of State Rural Hospitals Determined to be Vulnerable
COVID-19 Adds a New Dimension to Rural Healthcare Challenges
Short- and Long-term Impact to the Rural Health Safety Net

The New York Times

A Tiny Hospital Struggles to Treat a Burst of Coronavirus Patients

Rural hospitals have few or no intensive care beds, ventilators, or critical care specialists. Here’s how one hospital, with a single doctor caring for patients, handled a Covid-19 surge.

Vox

‘The worst is yet to come.’ How COVID-19 could wipe out many rural hospitals

How the Covid-19 pandemic will leave its mark on US health care

From hospital closures to the rise of telehealth, five ways the system is already transforming.

By Dylan Scott | @dylanscott | dylan.scott@vox.com | Updated Apr 22, 2020, 6:00am EDT
COVID-19 and its Impact

**We Know**
- Virus
- Spread
- Morbidity/mortality
- Current stats
- SNFs in crisis
- First surge blunted
- No proven treatment

**We Don’t Know**
- Prevalence
- Risk factors for severe illness
- Vaccine
- Treatment

**Impact**
- Severe shortages
- HCW illness
- CC capacity failures
- Economic loss
- Family risk
- Fatigue
- PTSD/other
- Unification/Division
Voices from Across Rural Healthcare

“We will struggle to maintain financial viability with services lost in response to recommendations.”

“We are trying to do all testing outside in the patient’s car. We have a designated response team who goes out and does the swabbing. We created isolation rooms to place anyone identified as high-risk during screening at entry doors.”

“We were pushed into cancelling/postponing elective procedures before we had made that decision administratively by pressure from providers, tertiary referral centers, and patients who preferred not to come to the hospital now.”

“Too much information from too many people. We need better direction and less meetings.”
The Urban Emergency is Cascading into Rural America

Rate of Increase in Coronavirus Cases and Deaths

<table>
<thead>
<tr>
<th></th>
<th>Metro Counties</th>
<th>Non-Metro Counties</th>
</tr>
</thead>
<tbody>
<tr>
<td>One week increase in cases</td>
<td>26%</td>
<td>45%</td>
</tr>
<tr>
<td>One week increase in deaths</td>
<td>38%</td>
<td>46%</td>
</tr>
<tr>
<td>Two week increase in cases</td>
<td>68%</td>
<td>125%</td>
</tr>
<tr>
<td>Two week increase in deaths</td>
<td>113%</td>
<td>169%</td>
</tr>
</tbody>
</table>

NOTE: Data are as of April 27, 2020. Coronavirus cases and deaths not assigned to a county are excluded.
SOURCE: Center for Systems Science and Engineering (CSSE) at Johns Hopkins University; US Census Bureau; Federal Office of Rural Health Policy.
Rural Hospitals (All Rural)
% without Intensive Care Unit Beds (2018)

Percentage of State Rural Hospitals without ICU beds. Minimum of three ICU beds per hospital.
Percentage of Revenue Tied to Outpatient Services
Rural Hospitals (All Rural)
% Revenue Associated with Outpatient Services

Percentage of Revenue Associated with Outpatient Service Lines.
Critical Access Hospitals

% Revenue Associated with Outpatient Services

Percentage of revenue associated with outpatient service lines. CAHs only.

No Rural Hospital/No CAH in state

National CAH Median 79%

<60% 60%—69% 70%—75% 76%—80% 81%—85% 86+%
Rural & Community Hospitals

% Revenue Associated with Outpatient Services

Percentage of revenue associated with outpatient service lines. RPPS only. Minimum of three such hospitals.

<55%  56%—60%  61%—65%  66%—70%  71%—75%  76%—80%

No Rural Hospital/No RPPS in state

National RPPS Median 71%
Rural Hospital Days Cash on Hand
Rural Hospitals (All Rural)
Days Cash on Hand

0—19 Days  20—39 Days  40—59 Days  60—79 Days  80—99 Days  100+ Days

Median Days Cash on Hand for All Rural Hospitals within a State.

National Rural Median

33 Days

No Rural Hospital
Critical Access Hospitals
Days Cash on Hand

Median Days Cash on Hand for Critical Access Hospitals within a State.
Rural & Community Hospitals
Days Cash on Hand

Median Days Cash on Hand for Rural & Community Hospitals within a State.
State Snapshots
## Impact of COVID-19 (State Spotlight)

**Ohio**

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid Expansion:</td>
<td>Yes</td>
</tr>
<tr>
<td># Rural Hospitals</td>
<td>58</td>
</tr>
<tr>
<td># Closed Hospitals</td>
<td>2</td>
</tr>
<tr>
<td># Vulnerable Hospitals</td>
<td>8</td>
</tr>
<tr>
<td>Median Op Margin</td>
<td>4%</td>
</tr>
<tr>
<td>% Negative Op Margin</td>
<td>38%</td>
</tr>
<tr>
<td>% Rurals Without ICU Beds</td>
<td>47%</td>
</tr>
<tr>
<td>% Outpatient Revenue as Total Revenue</td>
<td>80%</td>
</tr>
<tr>
<td>Median Days Cash in Hand</td>
<td>22</td>
</tr>
</tbody>
</table>
Impact of COVID-19 (State Spotlight)

South Dakota

Medicaid Expansion: NO

<table>
<thead>
<tr>
<th># Rural Hospitals</th>
<th>Closed Hospitals</th>
<th># Vulnerable Hospitals</th>
<th>Median Op Margin</th>
<th>% Negative Op Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>46</td>
<td>1</td>
<td>7</td>
<td>4.7%</td>
<td>27%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% Rurals Without ICU Beds</th>
<th>% Outpatient Revenue as Total Revenue</th>
<th>Median Days Cash in Hand</th>
</tr>
</thead>
<tbody>
<tr>
<td>80%</td>
<td>73%</td>
<td>53</td>
</tr>
</tbody>
</table>
What Could the Post COVID-19 Rural Health Safety Net Look Like?
CARES Act and Government Intervention

- CARES Act – Round 1
  - No specific provisions for rural hospitals
  - Medicare payment program provision technically a loan

- Small Business Paycheck Protection Program
  - Not entirely accessible to rural hospitals

- Provider Relief Fund
  - $10B for rural hospitals and health clinics
    - Designed to help off-set loss of IP and OP revenue from pandemic
  - Hospitals > $1M plus added payment based on operating expenses
  - **Step in the right direction but…**
    - Fails to address outbreak ‘waves’ or a ‘slow burn’
    - Fails to address pre-pandemic reality for rural hospitals
What Can We Expect After the Surge

- Dual Systems of Care
  - ‘Waves’ or steady stream of COVID-19 Patients / Non-COVID-19 Patients
- Fear of Infection Causing Delays or Forgoing of Care
- Deteriorated Patient Financial Profiles
- Reduced Market Size for Foreseeable Future
- Evolved Clinical Care Delivery Models
  - Telehealth
- Higher Marginal Cost of Care
- Worsened Community Health Status

Rural hospitals may find the \textit{aftermath} of the current crisis \textbf{more challenging} than the initial surge itself.
Navigating the Aftermath

01 Providers must engage consumers and other referral sources to recapture patients.

02 Providers must fundamentally reduce their cost base.

03 Providers must restructure the physician enterprise.

04 Providers must transform their clinical operating model.

05 Partnerships, both horizontal and vertical, traditional and non-traditional, should be closely evaluated.
Thank You For Your Time and Attention

Michael Topchik
National Leader, The Chartis Center for Rural Health
mtopchik@chartis.com

Troy Brown
Client Services Manager, The Chartis Center for Rural Health
tbrown@chartis.com