

# NOSORH Rural Health Capital Resource Council

Brian Haapala, CEO, StroudwaterGCL | June 13, 2021



STROUDWATERGCL

# Presenter



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- › 20+ years as rural health consultant and investment banker
- › \$1 Billion in total rural health projects
- › Serving as a USDA Guaranteed Lender



# The 'market' for rural health infrastructure

## Provider types and counts

- › 1,800 +/- hospitals
  - › Critical Access Hospitals ~ 1,353
  - › Sole Community Hospitals ~ 450
  - › Rural Emergency Hospitals (new)
- › 5,100 +/- primary care clinics
  - › Federally Qualified Health Centers ~ 750 (rural only)
  - › Rural Health Clinics ~ 4,400

## Capital needs

- › Hospitals
  - › Outpatient and diagnostic space
  - › Infection control
  - › Fire and life safety
- › Primary care clinics
  - › Care coordination
  - › Population health management
  - › Health and wellness



# Market Research



**Capital is necessary to adapt to industry shifts**

**Balance investments in technology and space**

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Shift from inpatient to outpatient care

Shift to value-based payments incentives

Shift to population-based care models



**CAH facilities designed and built for 1950s-style healthcare need \$7.2 billion in capital**

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Flex program research from over a decade ago over a decade quantified need for \$4.5 billion (2005)

\$7.2 billion after adjustment for construction inflation

Equates to \$5.3 million per CAH



**Capital investments help reverse outmigration of patients to larger, urban centers**

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Research indicates bypass more likely from privately insured patients

New facilities shown to improve patient retention, especially for outpatient services

Patient-centered medical home



**Planning complexity makes securing capital difficult**

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Small "margin of error" in rural health

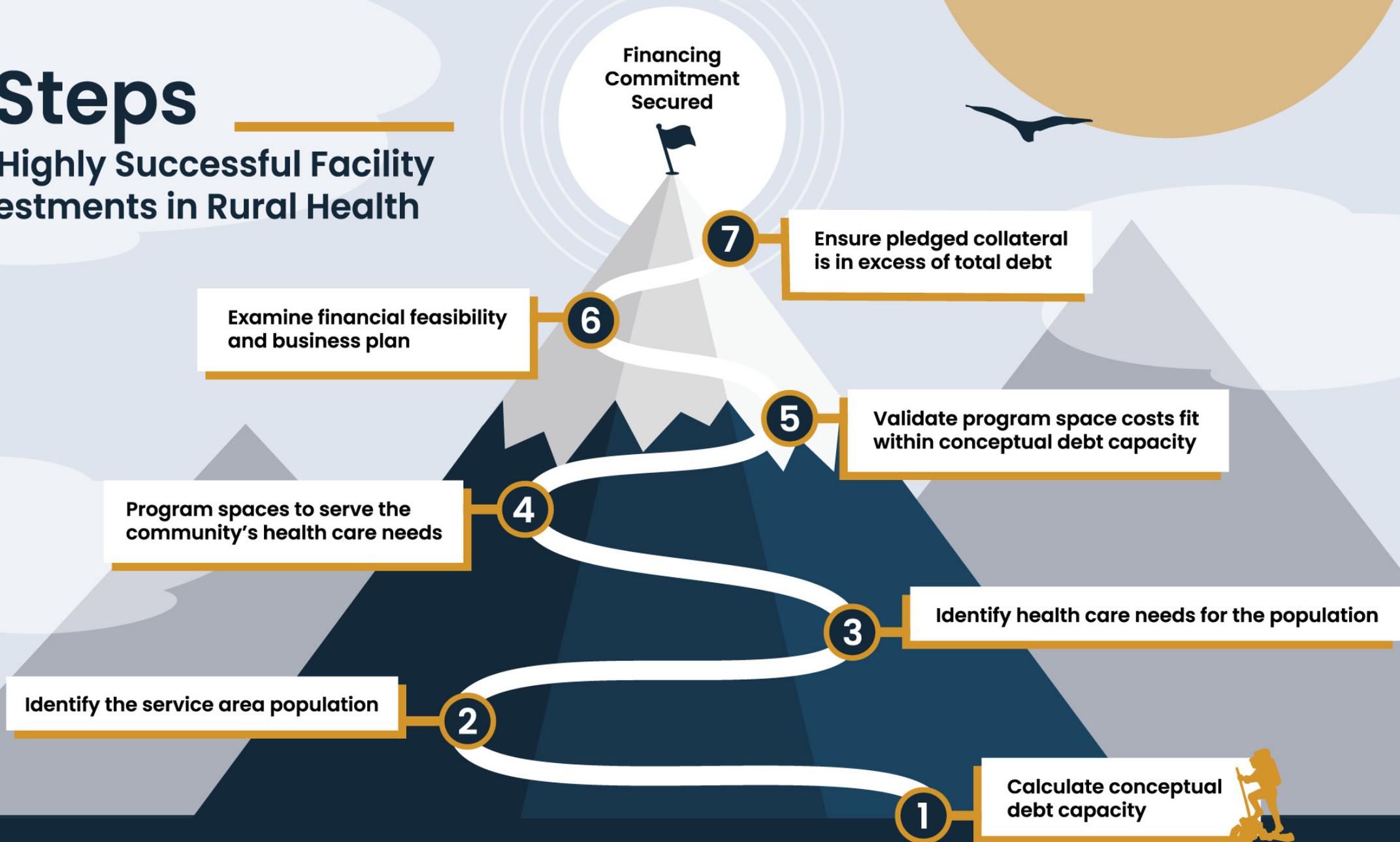
Challenges in connecting facility investment to market needs, feasibility, and a committed financing source

Competing high priority needs for leadership



# 7 Steps

## for Highly Successful Facility Investments in Rural Health



# USDA Commitment to Healthcare

- The USDA Community Facilities program is funded with over \$3 Billion in loans annually
  - Funding has grown 10x over the past decade
- Healthcare loans are the **largest category of outstanding CF projects**, representing half of the total loan portfolio

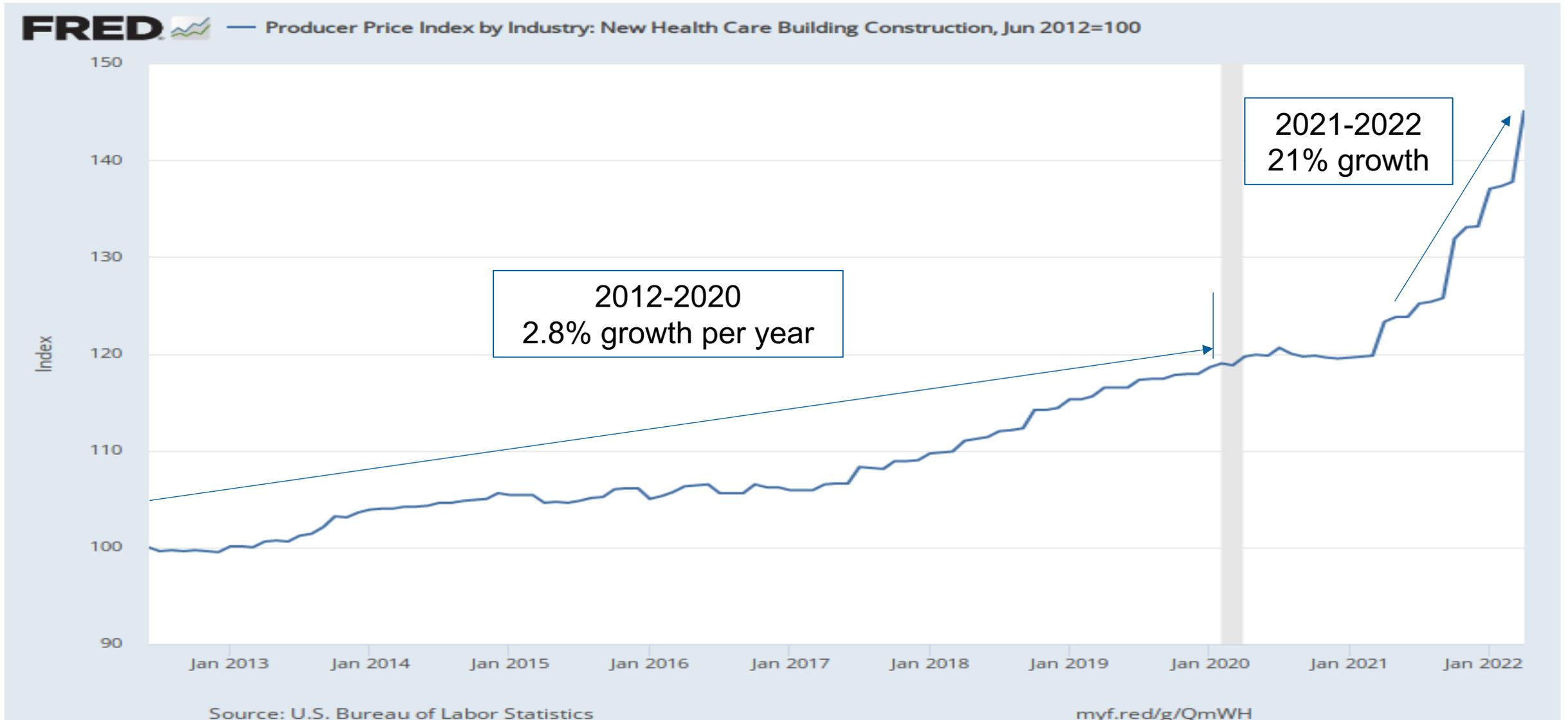
## Community Facilities (CF)

### Outstanding Loans\*

|                                      |                           |
|--------------------------------------|---------------------------|
| ➤ Outstanding Healthcare Commitments | ➤ <b>\$5,406,105,088</b>  |
| ➤ Total USDA CF Loan Portfolio       | ➤ <b>\$10,899,224,100</b> |
| ➤ Healthcare Percentage of Total     | ➤ <b>49.6%</b>            |



# Cost escalation: Healthcare construction



# Cost escalation: 30-year treasury rate



# Takeaways

- **Rural healthcare appears to be in a deep capital hole**
- And the hole is getting deeper with the **combined impact of higher construction costs and higher interest rates**
- Getting out of the hole requires a **reliable, timely process for placing capital** in rural communities given the market realities

## Recommendations for the Resource Council

- Lead efforts to **update research on rural health infrastructure needs**
- **Promote best practices in securing financing**
  - Rural health leaders
  - Capital sources
  - Policymakers

