The Trouble in Rural Healthcare

Cindy Turner CEO
Kyle Lott Pharm D, COO
Bacon County Hospital
Closures since 2005

<table>
<thead>
<tr>
<th>Hospital</th>
<th>Town</th>
<th>Type</th>
<th>Year</th>
<th>Beds</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Georgia Medical Center</td>
<td>Ellijay</td>
<td>PPS</td>
<td>2016</td>
<td>40</td>
</tr>
<tr>
<td>Lower Oconee Community Hospital</td>
<td>Glenwood</td>
<td>CAH</td>
<td>2014</td>
<td>25</td>
</tr>
<tr>
<td>Charlton Memorial Hospital</td>
<td>Folkston</td>
<td>CAH</td>
<td>2013</td>
<td>15</td>
</tr>
<tr>
<td>Calhoun Memorial Hospital</td>
<td>Arlington</td>
<td>CAH</td>
<td>2013</td>
<td>25</td>
</tr>
<tr>
<td>Stewart-Webster Hospital</td>
<td>Richland</td>
<td>CAH</td>
<td>2013</td>
<td>25</td>
</tr>
<tr>
<td>Hart County Hospital</td>
<td>Hartwell</td>
<td>MDH</td>
<td>2012</td>
<td>82</td>
</tr>
<tr>
<td>Taylor Telfair Regional Hospital</td>
<td>McRae</td>
<td>CAH</td>
<td>2008</td>
<td>15</td>
</tr>
</tbody>
</table>
2005-17 rural hospital closures: Where were they?

81 rural hospitals have closed since January 2010
123 rural hospitals have closed since January 2005
2005-17 rural hospital closures: Were they in Medicaid expansion or non-expansion states?

- Non-Expansion State: 63%
- Expansion State: 37%
2005-17 rural hospital closures:
What were their bed sizes?
2010-17 rural hospital closures: Why did they close? (As reported by news media)

**Market Factors**
- Small or declining populations
- High unemployment (as high as 18%)
- High or increasing uninsured patients
- High proportion of Medicare and Medicaid patients
- Competition in close proximity

**Hospital Factors**
- Low daily census
- Lack of consistent physician coverage
- Deteriorating facility
- Fraud, patient safety concerns, and poor management

**Financial Factors**
- High and increasing charity care and bad debt
- Severely in debt
- Insufficient cash-flow to cover current liabilities
- Negative profit margin
2015 Net patient revenue:
CAHs and ORHs in Georgia

GA ORHs have much more patient revenue than CAHs
2015 Total margin:
CAHs and ORHs in Georgia

Half of GA rural hospitals were unprofitable
2015 Age of plant: CAHs and ORHs in Georgia

GA rural hospitals are older than US rural hospitals.
2015 Average salary per FTE:
CAHs and ORHs in Georgia

GA rural hospitals have lower average salary than US rural hospitals
2015 Medicare acute inpatient cost per day:
CAHs and ORHs in Georgia

GA CAHs are much less costly per inpatient day than US CAHs
Percentage of Rural Hospitals at High Risk of Financial Distress by Census Region, 2013-2016

- South, 16.6%
- Total, 8.1%
- Northeast, 6.5%
- West, 3.8%
- Midwest, 3.1%
The percentage of rural hospitals at high risk of financial distress in GA is twice that of the US.
- GA ORHs have much more patient revenue than CAHs
- Half of GA rural hospitals were unprofitable
- GA CAHs have a much lower percent of outpatient revenue than US CAHs
- CAHs have much lower patient deductions in GA and US
- CAHs are much more reliant on Medicare but lower than US
- CAHs cost to charge is twice that of PPS hospitals in GA and US
- GA CAHs are much less costly per inpatient day than US CAHs
- GA rural hospitals are older than US rural hospitals
- GA rural hospitals have lower average salary than US rural hospitals
- GA CAHs have higher swing ADC than US CAHs
- Only 2 CAHs report obstetrics
ORIGINAL ARTICLE

Predicting Financial Distress and Closure in Rural Hospitals

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This work is funded by federal Office of Rural Health Policy, Award #U1GRH07633
Current Physician Shortage Projections

- 21,800 too few physicians today
- 65,500 too few physicians by 2020
- 90,400 too few physicians by 2025
- 104,900 too few physicians by 2030

Shortage in primary care will reach 43,100 by 2030 while demand for specialists will exceed supply by 61,800 by 2030

Source: AAMC, March 2017
### Who is in Most Demand?

<table>
<thead>
<tr>
<th>TOP 20 SEARCH ASSIGNMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Family Medicine</td>
</tr>
<tr>
<td>2. Psychiatry</td>
</tr>
<tr>
<td>3. Internal Medicine</td>
</tr>
<tr>
<td>4. Nurse Practitioner</td>
</tr>
<tr>
<td>5. OB/GYN</td>
</tr>
<tr>
<td>6. Hospitalist</td>
</tr>
<tr>
<td>7. Emergency Medicine</td>
</tr>
<tr>
<td>8. Physician Assistant</td>
</tr>
<tr>
<td>9. Dermatology</td>
</tr>
<tr>
<td>10. Radiology</td>
</tr>
<tr>
<td>11. Pediatrics</td>
</tr>
<tr>
<td>12. Urgent Care</td>
</tr>
<tr>
<td>13. Gastroenterology</td>
</tr>
<tr>
<td>14. Pulmonology</td>
</tr>
<tr>
<td>15. Cardiology</td>
</tr>
<tr>
<td>16. Orthopedic Surgery</td>
</tr>
<tr>
<td>17. Neurology</td>
</tr>
<tr>
<td>18. General Surgery</td>
</tr>
<tr>
<td>19. Anesthesiology</td>
</tr>
<tr>
<td>20. Otolaryngology</td>
</tr>
</tbody>
</table>

MERRITT HAWKINS

an AMN Healthcare company
Number of Months Spent Recruiting

<table>
<thead>
<tr>
<th>Profession</th>
<th>Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Psychiatrist</td>
<td>12.7</td>
</tr>
<tr>
<td>Family Physician</td>
<td>11.4</td>
</tr>
<tr>
<td>Internist</td>
<td>11.2</td>
</tr>
<tr>
<td>OB/GYN</td>
<td>10.8</td>
</tr>
<tr>
<td>Pediatrician</td>
<td>8.7</td>
</tr>
</tbody>
</table>
## Average Salaries of Top Recruited Specialties

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Salary</th>
<th>Year over Year Change</th>
<th>Specialty</th>
<th>Salary</th>
<th>Year over Year Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Medicine</td>
<td>$231,000</td>
<td>2.7%</td>
<td>Pediatrics</td>
<td>$240,000</td>
<td>7.1%</td>
</tr>
<tr>
<td>Psychiatry</td>
<td>$263,000</td>
<td>5.2%</td>
<td>Urgent Care</td>
<td>$219,000</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Internal Medicine</td>
<td>$257,000</td>
<td>8.4%</td>
<td>Gastroenterology</td>
<td>$492,000</td>
<td>7.4%</td>
</tr>
<tr>
<td>Nurse Practitioner</td>
<td>$123,000</td>
<td>5.1%</td>
<td>Pulmonology</td>
<td>$390,000</td>
<td>2.6%</td>
</tr>
<tr>
<td>OB/GYN</td>
<td>$335,000</td>
<td>4.4%</td>
<td>Cardiology</td>
<td>$428,000</td>
<td>-13.2%</td>
</tr>
<tr>
<td>Hospitalist</td>
<td>$264,000</td>
<td>6.0%</td>
<td>Orthopedic Surgery</td>
<td>$579,000</td>
<td>11.1%</td>
</tr>
<tr>
<td>Emergency Medicine</td>
<td>$349,000</td>
<td>14.8%</td>
<td>Neurology</td>
<td>$305,000</td>
<td>7.0%</td>
</tr>
<tr>
<td>Physician Assistant</td>
<td>$120,000</td>
<td>5.3%</td>
<td>General Surgery</td>
<td>$411,000</td>
<td>8.7%</td>
</tr>
<tr>
<td>Dermatology</td>
<td>$421,000</td>
<td>-5.2%</td>
<td>Anesthesiology</td>
<td>$376,000</td>
<td>-5.3%</td>
</tr>
<tr>
<td>Radiology</td>
<td>$436,000</td>
<td>-8.2%</td>
<td>Otolaryngology</td>
<td>$468,000</td>
<td>16.1%</td>
</tr>
</tbody>
</table>
Usage of Mid-levels

- EMTALA - physician clearance
- Call Support
- Amend Stark Laws to allow mid-levels employed by hospital to see In-patients and LTC residents to support independent physicians
Centralized Credentialing

- Turn around time to start new provider practice – 90 to 120 days to obtain all necessary provider numbers
- Payer sources- Medicare, Medicaid, and commercial insurances
Medication Shortages

- Sodium Chloride IV (SALT WATER)
- Diprivan (Propofol) – surgeries canceled.
- Zosyn (pipracillin-tazo) - Antibiotic selections altered
- IV Solu-Medrol – steroid used for breathing conditions
- IV Protonix – used in GI conditions
Regulatory Restraints
Information Technology

- Expense
- MU
- Multiple interfaces
  - BCH&HS
    - Meditech
    - PCC
    - Allscripts
    - QS1
    - Omnicell
    - Central Monitoring
  - PACS
  - Radius
  - Pathology
  - First DataBank
  - Exitcare
  - Aleris
Telemedicine

- Cardiology
- Stroke
Aftermath of Medicaid Cuts...

**Hospital Options**
- Layoff Staff
- Eliminate Services
- Increase charges for Private Payers
- Close their doors

**Impact to You**
- Longer service wait times
- Reduced Access to Care
- Longer patient travel time
- Higher health insurance premiums
- No local access to care

**Impact to Your Community**
- Increased unemployment
- Outmigration of medical providers
- Higher employer benefit costs
- Hurts the recruitment of new business to the community
**Cost Coverage and Profit**

**Federal Government Contractors vs. Georgia Hospitals**

The Federal Government pays **cost plus profit** to federal contractors.

The Federal Government pays Georgia hospitals **less than cost** for services provided to Medicare and Medicaid patients.

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The chart shows the percentage of cost covered for different categories:

- **Research & Development**: 100%
- **Other Cost Based Contracts**: 100%
- **Architect/Engineer**: 100%
- **Medicare**: 96%
- **Medicaid**: 87%