The Trouble in Rural Healthcare

BACON COUNTY HOSPITAL AND HEALTH SYSTEM

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

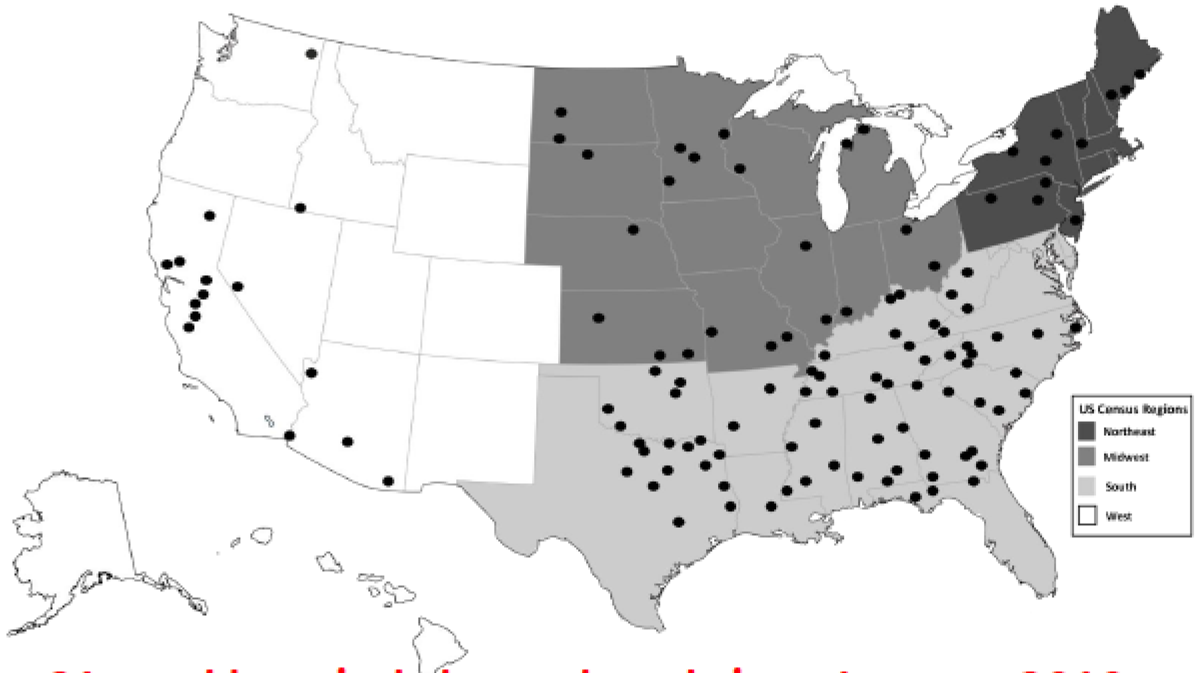

EMERGENCY

Closures since 2005

Closed Rural Hospitals in GA, 2005-

Hospital	Town	Type	Year	Beds
North Georgia Medical Center	Ellijay	PPS	2016	40
Lower Oconee Community Hospital	Glenwood	CAH	2014	25
Charlton Memorial Hospital	Folkston	CAH	2013	15
Calhoun Memorial Hospital	Arlington	CAH	2013	25
Stewart-Webster Hospital	Richland	CAH	2013	25
Hart County Hospital	Hartwell	MDH	2012	82
Taylor Telfair Regional Hospital	McRae	CAH	2008	15

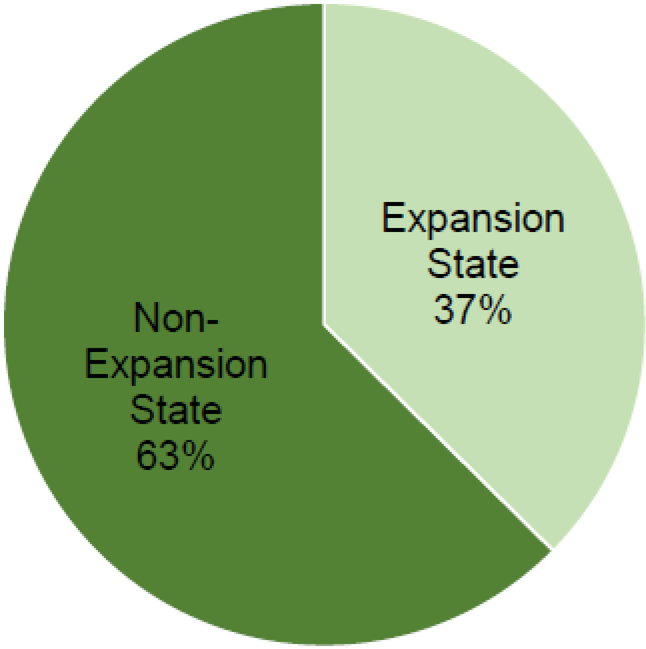
2005-17 rural hospital closures: Where were they?



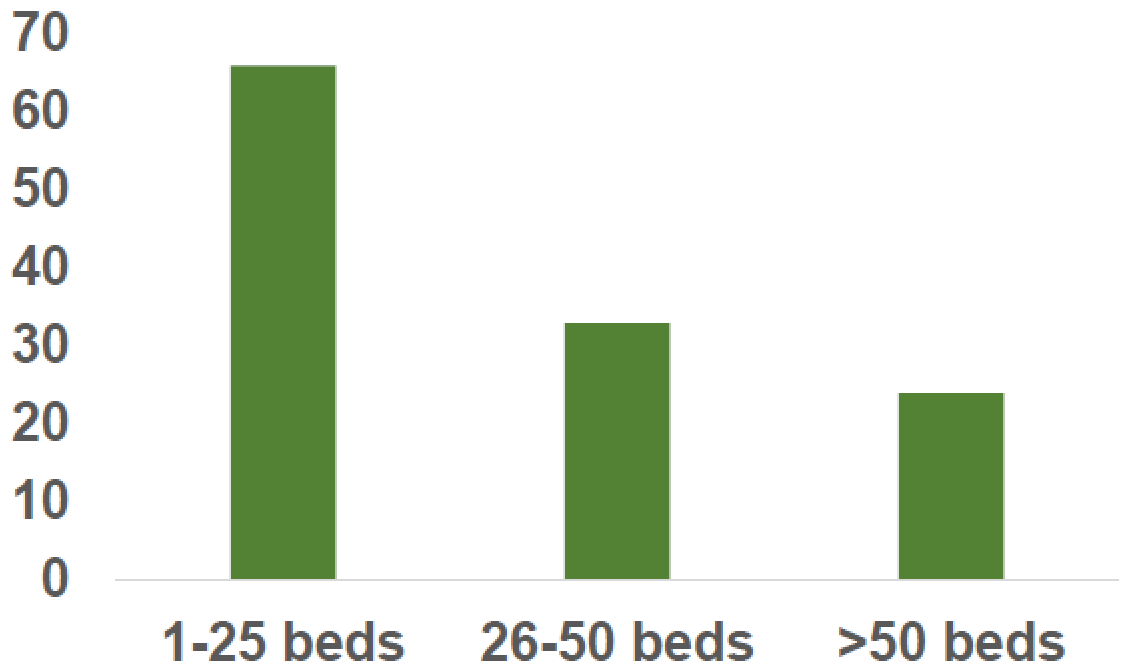
81 rural hospitals have closed since January 2010

123 rural hospitals have closed since January 2005

2005-17 rural hospital closures:
Were they in Medicaid expansion or non-expansion states?



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

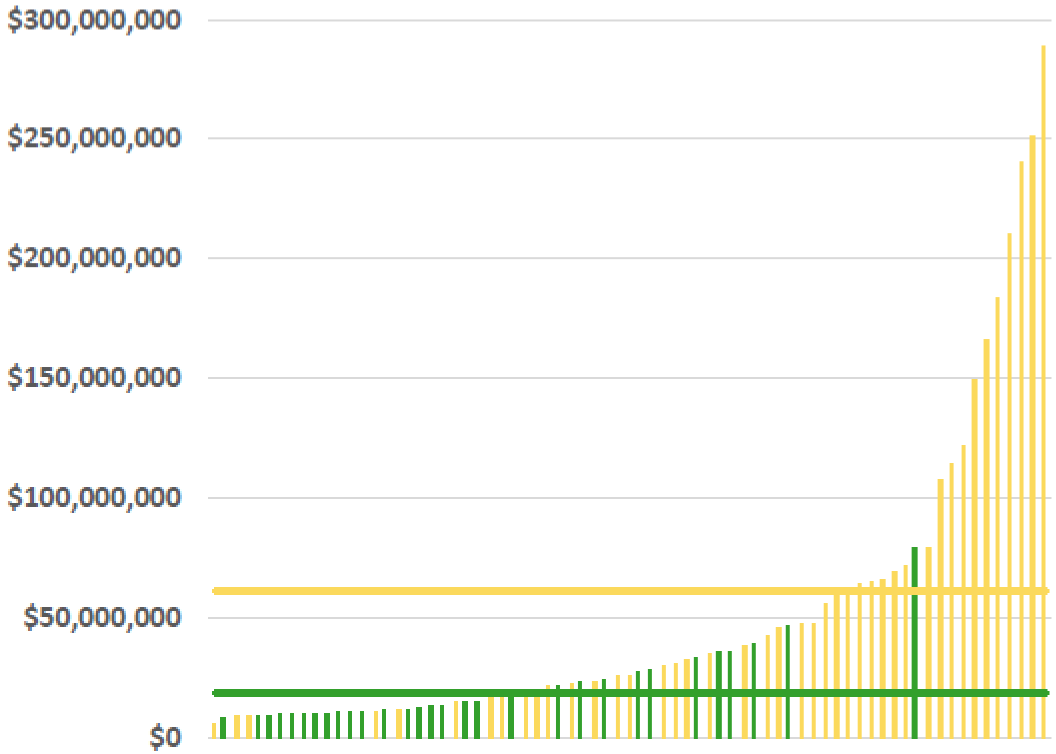
- Low daily census
- Lack of consistent physician coverage
- Deteriorating facility
- Fraud, patient safety concerns, and poor management

Financial Factors

- High and increasing charity care and bad debt
- Severely in debt
- Insufficient cash-flow to cover current liabilities
- Negative profit margin

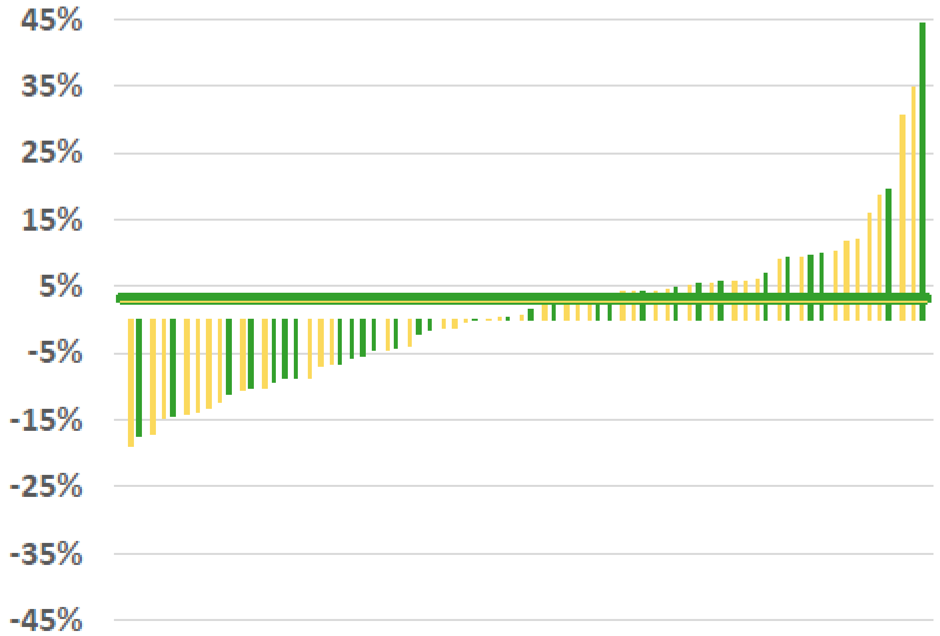
2015 Net patient revenue:

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

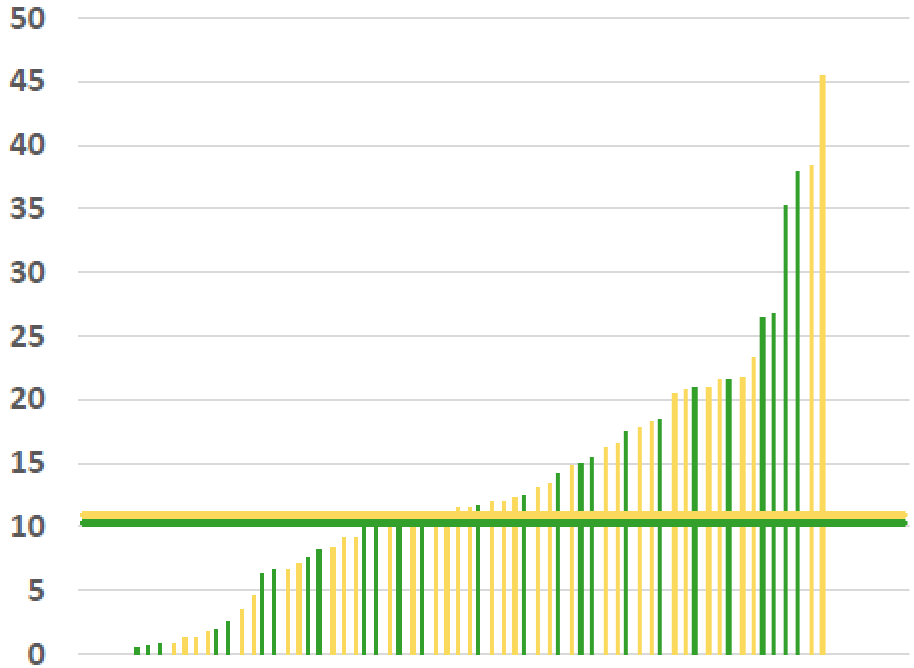
Net income
Total revenue

2015 US CAH median
2015 US Other median

RHRP

2015 Age of plant:

CAHs and ORHs in Georgia



GA rural hospitals are older than US rural hospitals

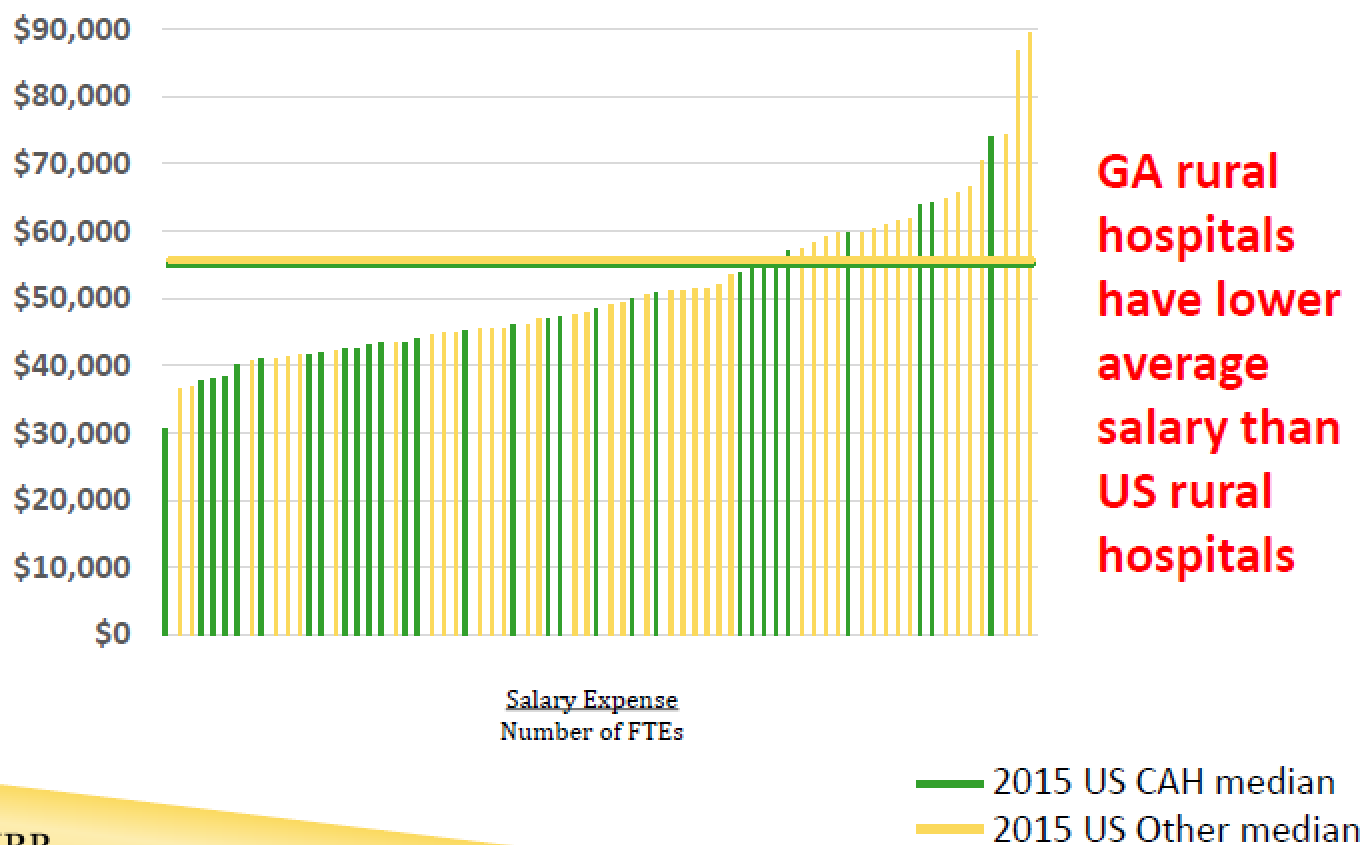
$$\frac{\text{Accumulated depreciation}}{\text{Depreciation expense}}$$

2015 US CAH median
2015 US Other median

RHRP

2015 Average salary per FTE:

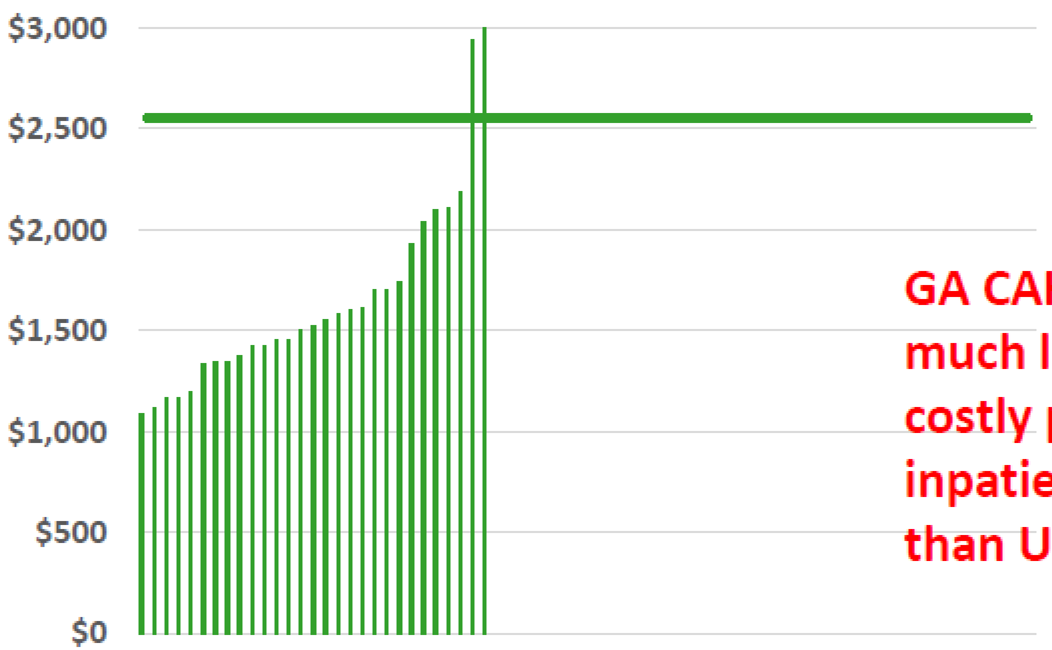
CAHs and ORHs in Georgia



GA rural hospitals have lower average salary than US rural hospitals

RHRP

2015 Medicare acute inpatient cost per day:
CAHs and ORHs in Georgia



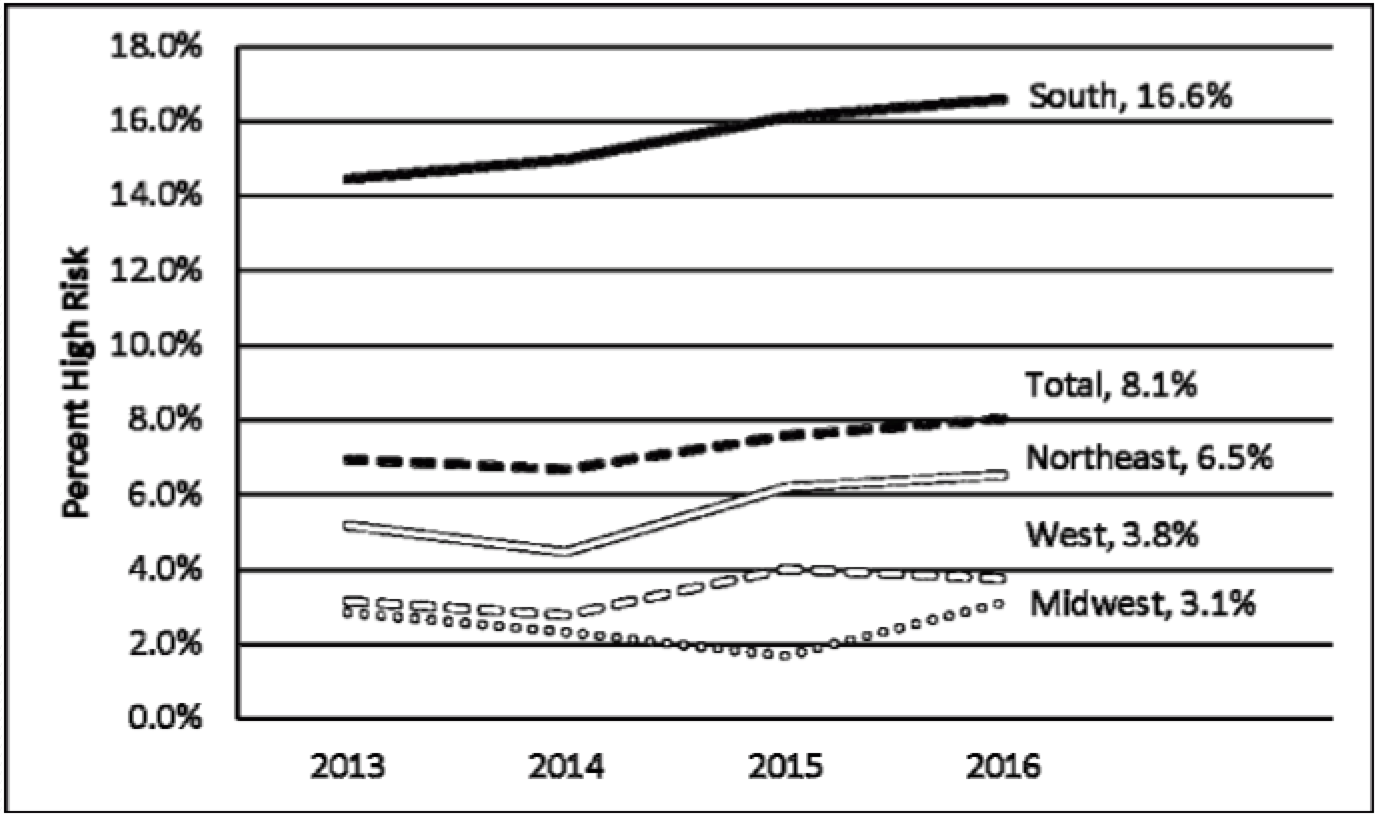
GA CAHs are much less costly per inpatient day than US CAHs

Medicare acute inpatient cost
Medicare inpatient days (excl HMO)

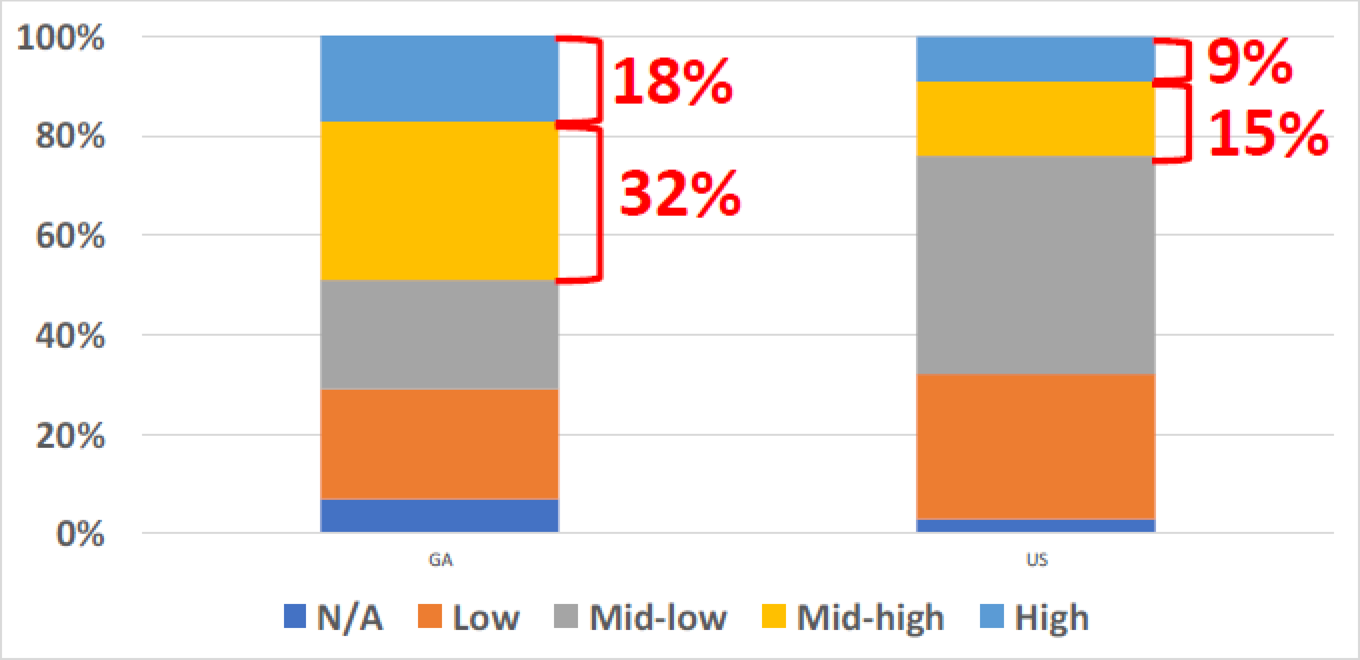
2015 US CAH median
2015 US Other median

RHRP

Percentage of Rural Hospitals at High Risk of Financial Distress by Census Region, 2013-2016



Risk of Financial Distress Among Rural Hospitals in GA and US



The percentage of rural hospitals at high risk of financial distress in GA is twice that of the US

RHRP

- 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

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ORIGINAL ARTICLE

Predicting Financial Distress and Closure in Rural Hospitals

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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

Source: AAMC, March 2017

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

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Who is in Most Demand?

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

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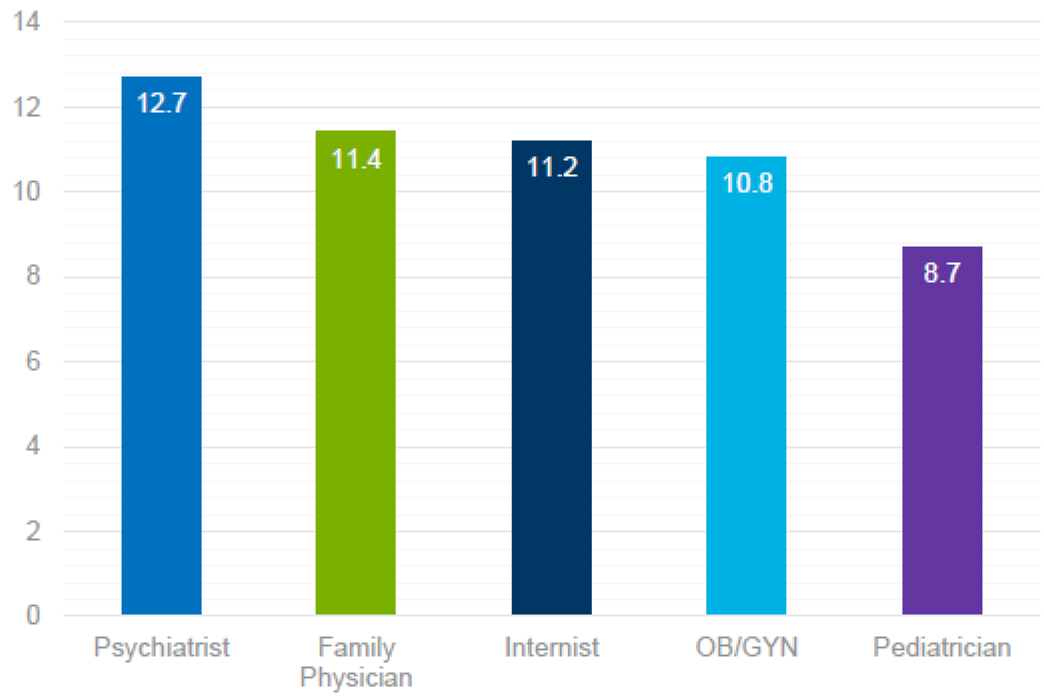
Number of Months Spent Recruiting



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Average Salaries of Top Recruited Specialties

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

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

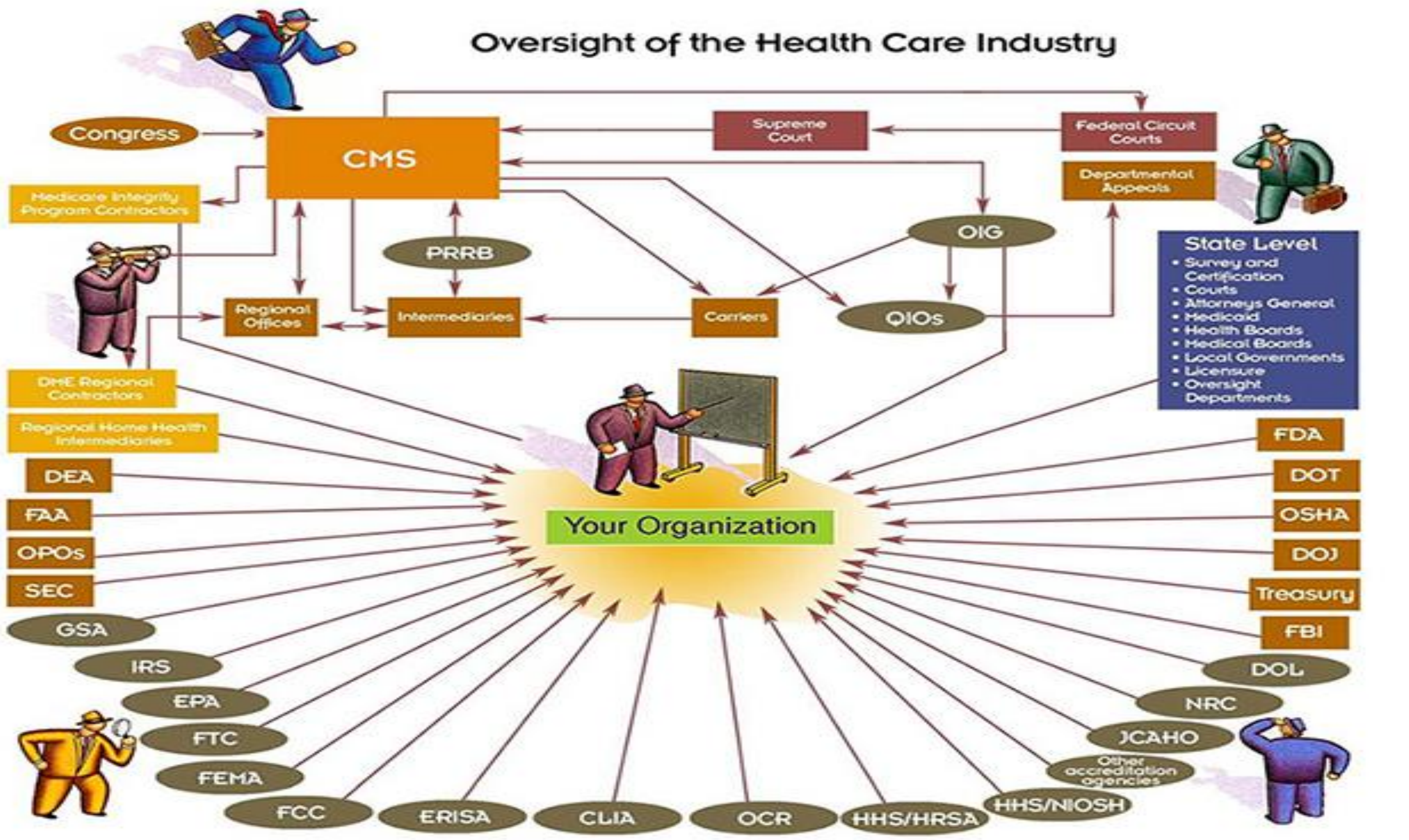
Centralized Credentialing

- 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

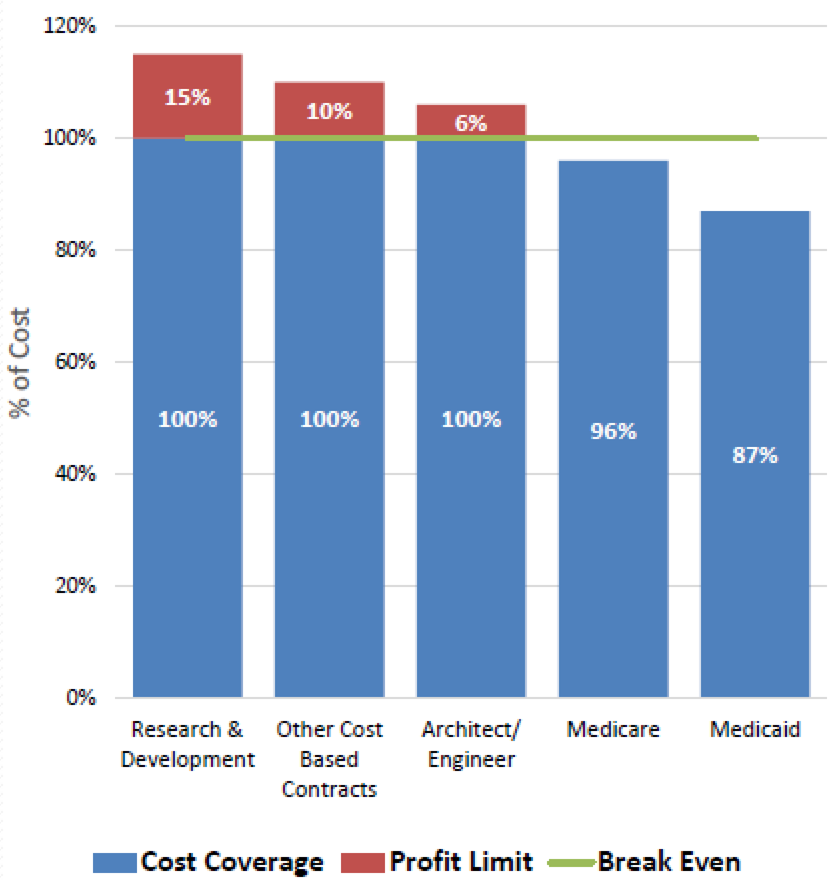
Impact to You

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

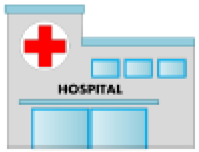
Impact to Your Community

- 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.

GHA
Georgia Hospital Association