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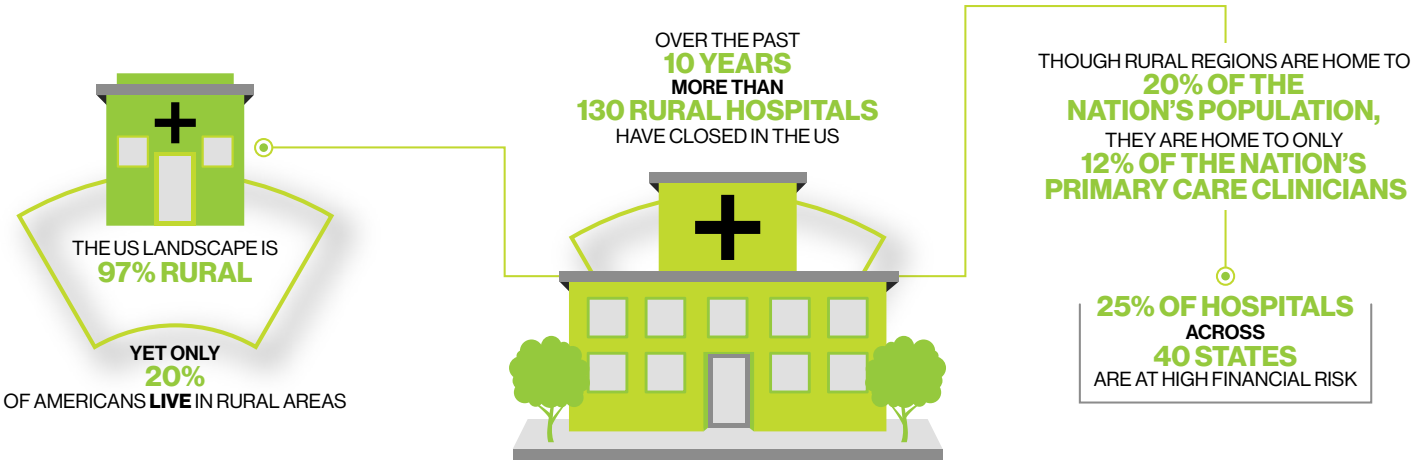
Closing the Urban - Rural Divide

Aligning Resources to Improve Health Outcomes

As rural hospitals continue to close, nearly 20% of the US population living in rural areas is at risk of losing access to what is often their primary source of medical services. People in rural communities are more likely to suffer from poor health outcomes and experience higher incidences of chronic conditions than those in suburban and urban communities. Yet, their local hospitals are closing, contributing to further health declines, increased rates of mortality, outmigration for care, and job loss.

For years, federal, state, and local agencies, academic medical centers, and other philanthropic groups have invested in rural communities to improve the quality of and access to care while trying to contain costs. However, these efforts have been individually aimed at focused regions and populations rather than the larger health ecosystem. Compounding the lack of access to care, today one-in-four rural hospitals is at a high risk of closure, while more than 60% of provider shortages occur in rural communities.[1]



The increasing gap between urban and rural health outcomes emphasizes a need for innovation that is focused on a comprehensive multiparty solution. Federal and state agencies, as well as private payers, providers, and employers, must come together and coordinate their missions. This need to address the health equity gap through whole-system change has become even more apparent during the COVID-19 pandemic.

By aligning interagency resources to create sustainable supply that meets demand, we can improve rural health and wellness and strengthen the fabric of American healthcare.

How We Got Here

About 75 years ago, Congress passed the Hill-Burton Act, which provided federal grants and guaranteed loans to construct and modernize the nation's healthcare system. Funds were designated to the states to achieve 4.5 beds per 1,000 people. Simultaneously, the federal government funded efforts to build healthcare facilities for veteran, indigenous, and military populations, sometimes near the federally assisted commercial hospitals. The Hill-Burton Act stopped providing funding in 1997 and today, the US only has 2.1 beds per 1,000 people.

Hill-Burton era hospitals, built at a time when more care was delivered on an inpatient basis, do not meet today's enhanced focus on outpatient care, prevention, wellness, and digital engagement. These evolving healthcare trends have rendered the rural healthcare delivery model obsolete.

1946

- Rural communities represent ~35% of US population
- Hill-Burton Act passed, increasing the number of hospitals in the US
- Inpatient/treatment-focused healthcare delivery system

1997

- Hill-Burton programs stopped providing funds
- Congress created the Critical Access Hospital designation through the Balanced Budget Act of 1997, designed to reduce the financial vulnerability of rural hospitals and improve access to healthcare by keeping essential services in rural communities

2020/2021

- Rural communities represent 19.3% of US population
- COVID-19 pandemic initiated a crushing economic blow to the nation – digital medicine accelerates as a solution to care continuity
- 25% of rural hospitals identified as at high risk of closure, more that 80% considered highly essential to their communities
- Nearly 80% of rural counties are short on primary care doctors, 9% have none
- Healthcare industry is now outpatient/wellness-focused

Key Problems in Rural Communities Today

- Fragmented rural health agendas across federal agencies, states, payers, and providers lack alignment of incentives to drive holistic solutions.
- With higher rates of uninsured, Medicaid, and Medicare patients, shifts in rural payer mix to government programs has led to lower reimbursement for non-critical access hospitals. Without enough commercial reimbursement as a component of revenue, rural hospitals have less financial stability.
- The nationwide shortage of clinicians, increased competition with urban and suburban amenities, academic affiliations, and remuneration has negatively affected recruitment and retention for rural hospitals.
- Facing losses, investing in outpatient care, improving emergency care, and attracting quality clinicians is virtually impossible.
- The Critical Access Hospital (CAH) Payment Program has only been partially successful in maintaining access to care, including for urgent services, and meeting community health needs in isolated rural communities.
- Broadband is not universally available across the rural US, and the digital divide is pronounced in lower income populations, making telemedicine out of reach for many.
- Rural populations are involved in riskier jobs, including agriculture, mining, and manufacturing, representing a greater need for access to care.

Major shifts require a redirection of healthcare investments to address emergency care, embrace digital enablement, and focus on outpatient care and wellness.

The Way Forward

Federal, state, and local governments, along with regional providers and payers, are trying to solve these challenges, but in uncoordinated siloes. As stakeholders and lawmakers seek answers to build equity and improve health, Guidehouse believes a collective approach can bring better value to at-risk populations. Joint allocation of dollars to a new, comprehensive model that addresses emergency care, digital enablement, and wellness and prevention can improve overall access and rural health outcomes.

>> For example, the promise of improved care means balancing well-placed infrastructure and telemedicine. Affordable broadband increases access to quality care for all individuals at the right place and the right time, enabling telehealth solutions and easily exchanged health information. Access to broadband also enables other community economic development.

The American Hospital Association Task Force on the Future of Rural Health Care recently released final policy recommendations detailing the need for public-private funding for core services and flexible funding programs to support rural hospital infrastructure, as well as the scaling up of key initiatives currently underway, including telemedicine, strategic partnerships and affiliations, broadband and mobile technology, and rural philanthropy.[2]

A Tale of 3 States

Aligning multi-stakeholder resources and funding, and partnering on the goals, metrics, and processes needed to improve health equity and outcomes will catalyze future innovation. While these approaches must be collaborative, they should also be unique to the needs of each state and community. Learn how three states are leveraging scalable solutions that are customized to the unique needs of their communities.

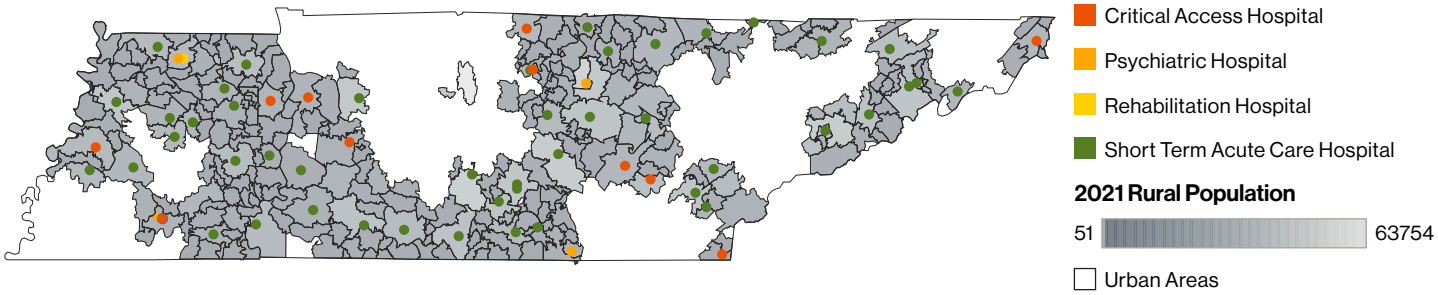
Tennessee

Since 2012, nine rural hospitals have closed across Tennessee, making it the state with the highest number of closures during this time. To remedy this, Tennessee, in partnership with hospital associations, passed the Rural Hospital Transformation Act. Recognizing the economic contribution a hospital provides to its rural community as a primary employer, the act tasked the Tennessee Department of Economic and Community Development to create a committee of stakeholders, including the hospital associations, mental health providers, Medicaid, universities, and others to support the sustainability of Tennessee's rural healthcare. Guidehouse worked with the committee of stakeholders to help establish a new program and advise on transformation plans and implementation.

In the two years since the program's inception, rural hospitals and CAHs implementing their transformation plans have identified more than $5 million in revenue-generating and cost-saving activities and program hospitals reported stronger financial performance even during the COVID-19 pandemic.[3]

The state has also invested in public-private partnerships, including through Governor Bill Lee's Healthcare Modernization Task Force.[4] Guidehouse helped manage the Task Force, which is focused on identifying opportunities to enhance care in rural areas across the state. Additionally, health systems across the state own or have partnered with rural hospitals to extend access to telehealth and specialist providers.

Tennessee Provider and Agency Outlook by Rural Population



Kansas

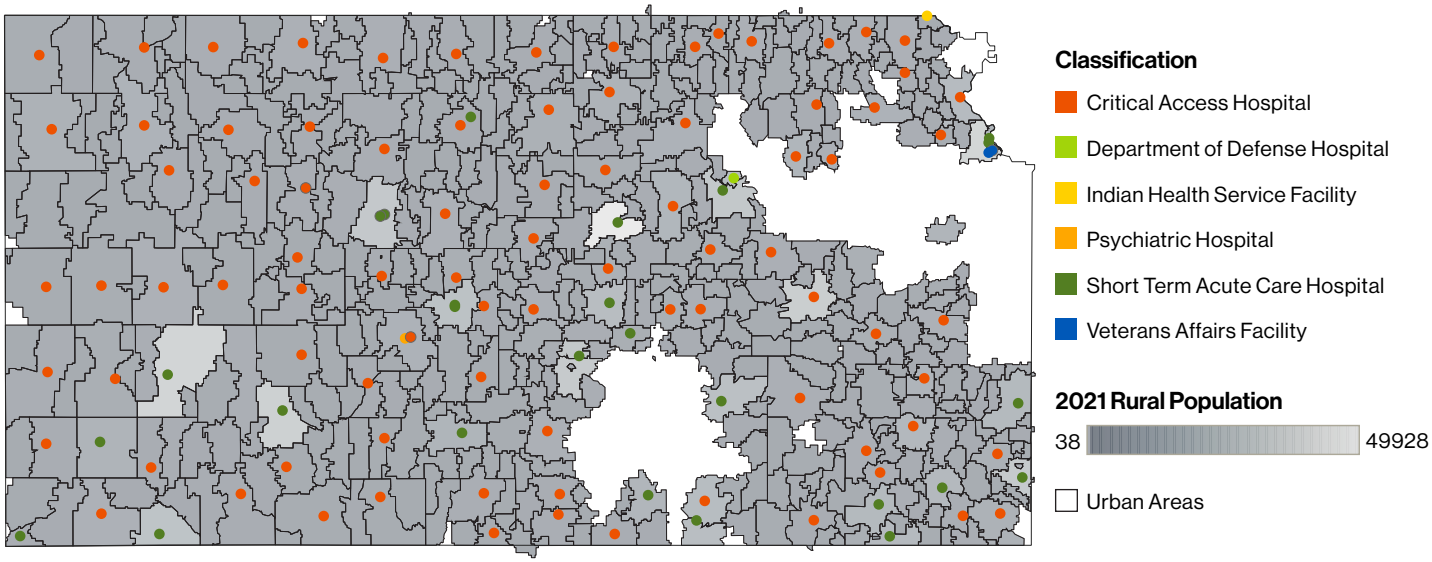
Given that Kansas is predominantly rural, it's no surprise that addressing the challenges of rural healthcare has been a focus area for many years.[5] Since 2018, five rural hospitals have closed, and in 2020, 29 rural hosptials—approximately 30% of all rural hospitals in the state—were at high financial risk of closing.[6] Additionally, across the state more than 80% of all rural hospitals operated at a loss, making the future seem daunting.

In 2020, Governor Laura Kelly expanded Medicaid to help the 10% of uninsured adults in Kansas obtain healthcare coverage, which may help reduce financial constraints on hospitals caused by uncompensated care; however, this alone will not solve the dire situation many rural hospitals face.

Organizations across the state are working together to sustain access to care. For example, the Kansas Department of Health and Environment, the Kansas Hospital Association, the Kansas Board of Emergency Medical Services, and the Kansas Medical Society teamed up to develop the Kansas Rural Health Options Project to administer the Medicare Rural Hospital Flexibility Program and support hospitals in receiving aid when possible.

While multiple organizations are working together to encourage the development of rural-based health networks and support small rural hospital sustainability in Kansas, further efficiencies could be gained. Stakeholders should focus on the essential services that need to be delivered locally versus regionally, as well as how they can work together to increase long-term access to care in each rural community.

Kansas Provider and Agency Outlook by Rural Population



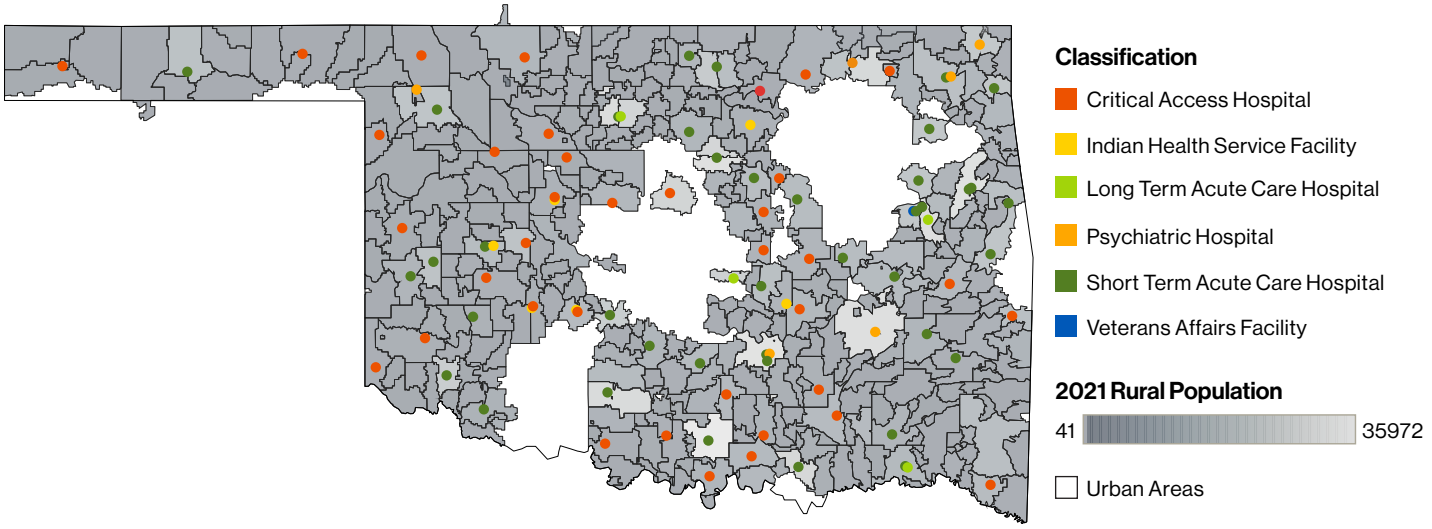
Oklahoma

Oklahoma is also largely rural and has struggled with sustaining access to healthcare in rural parts of the state.[7] There have been seven hospital closures in Oklahoma since 2010, three of which were in 2018 alone.[8] In 2020, Oklahoma had the second-highest percentage of rural hospitals at risk of closing (60%, or 28 hospitals) due to financial performance, second only to Tennessee.

Like other states, Oklahoma has multiple organizations focused on improving access and quality of care for their rural residents, with Oklahoma State University (OSU) playing a major role (the Oklahoma Office of Rural Health is operated out of OSU).[9,10]

A unique attribute and opportunity in Oklahoma is that it is home to one of the highest concentrations of American Indians, which introduces the Tribal Nations and the Indian Health Service as key stakeholders for improving Oklahoma's overall health.[11] In early 2021, a first-of-its-kind partnership between OSU and the Cherokee Nation opened the US' first medical school on tribal land, the OSU College of Osteopathic Medicine at the Cherokee Nation.[12] The Cherokee Nation covered the cost of constructing the building and OSU will provide the staffing. Considering veterans make up 10% of Oklahoma's population, and given the number of Tribal Nations, rural residents, hospitals at risk, and stakeholders across the state committed to improving healthcare, similar public-private and innovative partnerships should be explored.[13]

Oklahoma Provider and Agency Outlook by Rural Population



The Guidehouse Approach

While some state efforts have proven fruitful, there are many challenges on the path to alignment, as all rural markets are not the same. With federal dollars at the top of the funnel, the federal government has the opportunity to lead a collaborative and expanded partnership approach in coordination with state, local, and private resources to optimize access and fill in care deserts. Lawmakers must also act to provide legislative relief and collaborate on the incentives and infrastructure needed to coordinate care and meet local outcome objectives.

The fate of rural communities cannot rest on the shoulders of any one agency, department, provider, or payer. It's time for federal, state, and commercial entities to align resources and partner across the public and private sectors to close gaps in access to rural healthcare.

Because Guidehouse sits at the intersection of public and private organizations, our expertise in designing and implementing sustainable solutions in the race to save rural health equity and outcomes is unmatched.

About Guidehouse Health

Guidehouse is the only global consultancy that integrates strategy and policy expertise with deep industry partnerships across the health ecosystem—and beyond. The Guidehouse Health team helps hospitals and health systems, government agencies, life sciences and retail companies, and payers solve their most complex issues, overcome unique market challenges, and deliver innovative services to their communities and customers.

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