

## Meeting the Needs of Community Hospitals at a Critical Time

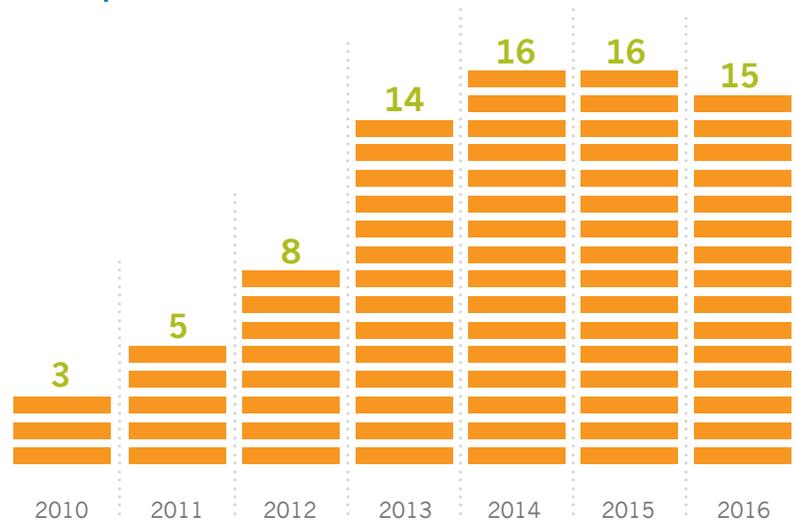
Community-based hospitals are critical assets for 51 million Americans living in rural and smaller communities across the country. Often, the local hospital is the only source of healthcare and an integral part of the local community, as one of the largest employers.

Over the last 10 years, rural and community hospitals have been closing at an accelerating pace. According to the North Carolina Rural Research Program, 81 rural hospitals have closed in the United States since 2010. Another 673 hospitals are at high risk for closure (Michael Topchik, 2017).

Community Hospital Corporation (CHC) leadership saw this crisis unfold first hand through their work owning, managing and consulting with rural and community hospitals since 1996. In response, they founded Rural & Community Healthcare Collaborative (RCHC) in 2016. The mission of RCHC, a 501(c)3 organization, is to raise and provide funding to help hospitals remain community-based and sustainable. RCHC will make no- and low-cost consulting services available to troubled community hospitals to help ensure their solvency and sustainability.

RCHC leaders believe that rural and community hospitals are vital components of this nation's healthcare delivery system and are critical to rural residents' access to healthcare. In short, strong hospitals make strong communities.

**Rural Hospital Closures 2010-2016**



Source: UNC - The Cecil G. Sheps Center for Health Services Research  
<http://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures/>

## The Challenge Today

Rural Americans tend to be older, less healthy, and earn less than their urban counterparts. They are also more likely to be uninsured (Rural Health Information Hub, 2017). This means that rural and community hospitals serve a population that desperately needs, yet is less able to pay for, healthcare services. These factors tend to put a financial strain on rural hospitals.

Other factors that make it difficult for rural community hospitals to survive include:

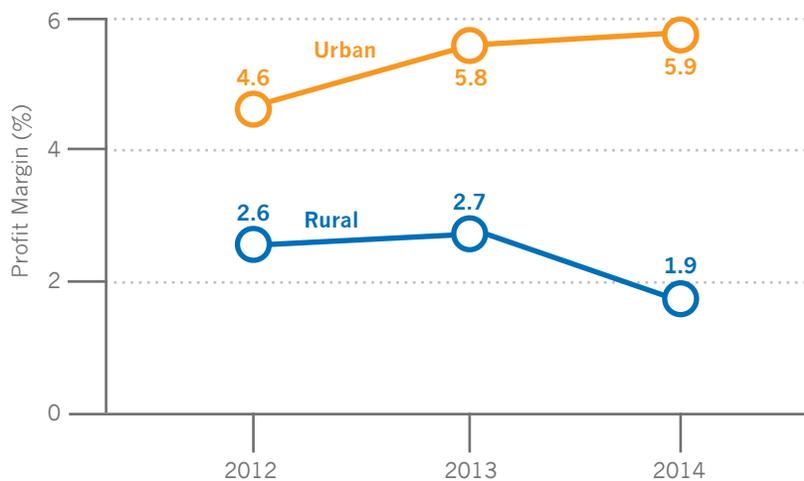
- Sagging hospital operations
- Declining reimbursements and changes in coding
- An unfavorable payer mix
- Higher fixed costs
- Remote geographic location and small size
- Difficulty recruiting and retaining physicians
- The cost of new and updated technology

These challenges also make them vulnerable to governmental policy and market changes.

The result is often a downward spiral of decreasing profitability, re-investment and capabilities.

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### Median Profit Margin for Urban & Rural Hospitals



Source:  
North Carolina Rural Health  
Research Program  
[http://www.shepscenter.unc.edu/  
programs-projects/rural-health/  
infographics/](http://www.shepscenter.unc.edu/programs-projects/rural-health/infographics/)

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However, when hospital leadership quickly recognizes the fall off and promptly engages qualified experts, the team can often turn the hospital around.

Unfortunately, many troubled hospitals in a cycle of declining profitability lack the wherewithal to pay for needed consulting services; and they tend to reach out to organizations like CHC for help when they are on the brink of failure. At this point, it may be too late. These situations, in part, are the inspiration for the formation of RCHC. Hospitals should not be forced to close if they have potential to succeed with the right help.

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## Our Approach - Screening Rural and Community Hospitals

The sole mission of RCHC is to help hospitals remain community-based and sustainable regardless of their inability to pay consultant fees. Our goal is to help hospitals identify operational red flags before they are in crisis. The process begins with an assessment of a hospital's ability to overcome operational hurdles using our Healthy Hospital Report Card (HHRC). This screening tool includes distress indicators and goes further to evaluate governance, community support, executive leadership and other key indicators that determine a hospital's ability to remain open and sustainable.

RCHC is uniquely qualified to identify at risk hospitals by leveraging CHC's expertise with critical access, rural and large hospitals in 35 states. Based on the findings of the HHRC, RCHC can go a step further, providing access to guidance, comprehensive recommendations and detailed action plans.

## The Healthy Hospital Report Card Overview

The HHRC is a screening tool that uses public data to give hospitals, communities, foundations and government entities insight into the overall health of their hospital. This screening tool will indicate if a hospital is sustainable in its current state or at risk for closure. The HHRC will indicate the areas where hospitals are performing strongly and areas needing attention. The scoring of hospitals is unbiased and data-driven, giving stakeholders an objective assessment of overall hospital health. Measurements and banding are based on more than 20 years of field-tested data and experience.



## Purpose of the Healthy Hospital Report Card

The HHRC helps hospitals, communities and stakeholders understand the viability of their hospitals in order to define and prioritize potential areas of improvement. With this information as a guide, hospital administrators, community stakeholders, and government leaders can develop an action plan. The RCHC has a network of relationships that can be leveraged to conduct further analysis should hospitals need additional improvement or consulting services in special areas. The goals of the HHRC are to:

- Identify strengths and areas of improvement before a hospital is forced to close
- Identify and understand the status of a community's need for hospital access
- Give funders an idea of the right investments to determine the future of rural and community hospitals
- Identify hospitals at greatest risk of imminent closure

## Based on data available on a state-by-state basis, the HHRC will analyze key areas of hospital operations:

### 1

#### FINANCE

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The financial scorecard is designed to assess the financial health of the subject hospital based on information available from the hospital's Medicare Cost Report. Based on CHC's experience working with independent community hospitals, we have identified the main financial ratios and indicators that can give an overall indication of the hospital's financial health. Three years of income statement and balance sheet information is included in the analysis to produce a high-level financial score that can be benchmarked against comparable facilities to determine financial trends.

The HHRC tool uses Medicare Cost Report Data for every rural and community hospital in the country. The resulting financial scorecard will be used for data analysis to identify those financially distressed facilities that RCHC may be able to assist.

### 2

#### MEDICAL STAFF

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The medical staff scorecard evaluates succession planning vulnerabilities a hospital might have, as well as the severity of physician need in a community. Patient satisfaction and hospital ratings are also taken into consideration to determine community perception of the facility.

It is important to evaluate physician supply and determine succession planning vulnerabilities to assess the immediacy and importance of physician recruitment. Hospital viability will depend heavily on local physicians using the hospital's services. In addition, it is important to evaluate how patients score the hospital during recent surveys to determine community support and willingness to continue using hospital services.

### 3

#### VOLUME

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This section measures the strength of the hospital's presence in the community by evaluating hospital volumes over time and miles to the nearest hospital. It also analyzes the health status of the hospital's community through various economic indicators and population demographics.

Volume is an important indicator, since hospital patient volumes help to determine historical usage of services and opportunities for growth in specific areas. This area of the scorecard will also show changes in the healthcare landscape and the travel distance required for patients if the subject hospital is forced to close.

In addition, it is important to evaluate the health and economic status of a community not only to better understand the composition of the population, but also to strengthen the case to maintain a viable hospital in the community. It is important to assess poverty and unemployment data to show the importance of the hospital to the community in terms of job opportunities and the potential economic impact of closure.

Together, this data will help determine future growth opportunities and opportunities for affiliation with other area hospitals. By analyzing and understanding the hospital's patient population from an economic and demographic standpoint, RCHC will be more prepared to provide tailored recommendations for the hospital to best address the needs of its community.

## 4

### QUALITY

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Evaluating the quality of care provided to patients and its impact on outcomes is at the center of a wide range of national efforts to improve hospital performance. The Centers for Medicare and Medicaid Services (CMS) and other third-party payers of healthcare services have moved to a payment system that rewards “value” – that is, better quality of care, treatment and services at the same or lower cost. Value-based programs reward healthcare providers with incentive payments for the quality of care they provide.

For hospitals, some of the key performance measures include readmissions, mortality, patient experience of care, and clinical process measures for heart attack, heart failure, pneumonia, stroke and other key diagnoses. One pay for performance program evaluates a hospital's rate of “hospital-acquired conditions” such as falls with significant injury, pressure ulcers (bedsores) and preventable complications during surgery.

The HHRC evaluates these indicators because they are key to delivering high-quality care and because a hospital's reimbursement is based on how well they perform within these quality metrics. Hospitals performing poorly on this review are at risk of losing their Medicare and Medicaid agreements and jeopardizing contracts with insurance companies, managed care organizations and other payers of healthcare services. Quality of care and financial viability of the hospital are intrinsically connected both now and in the future as value-based payment systems continue to evolve.

## 5

### LEADERSHIP

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The Executive Leadership information may be included as part of the HHRC as available. Long tenure by all members of the executive team may indicate a stagnant group that is not bringing innovative ideas into the organization. Very short tenure by all members of the executive team may indicate a need to strengthen relationships with important constituents. A new executive team can also indicate uncertainty, turnover and change within the organization. This information is used to determine whether the hospital has a strong leadership team in place or if additional leadership resources are required.

# 6

## INFORMATION TECHNOLOGY

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Information technology has become an integral aspect of hospital operations and patient care. Investments in IT systems that meet ongoing meaningful use requirements indicate a healthy hospital. When a hospital is not meeting meaningful use, it indicates financial distress within the organization or dysfunction at the clinical and executive leadership level.

Another key area of evaluation for IT is security and privacy breach reporting. Security and privacy are two areas that can provide insight into how a facility manages its infrastructure and protects patient information; both are key elements of HIPAA compliance regulations. Awareness of breaches can be an indicator of operational effectiveness and an example of managing regulatory requirements.

## HHRC Delivers Critical Information

The common adage that knowledge is power applies when it comes to hospital operations. The HHRC pinpoints the root cause(s) for performance declines along with details about the strengths and challenges faced by a hospital. This information is critical to developing a roadmap for success.

## Examples of Success

In 2014, the State of South Carolina established the Hospital Transformation Plan Program. The goal of the program is to support qualifying hospitals to transition to more sustainable models that meet the needs of their communities. Sixteen hospitals were identified as targets and seven decided to participate. Through this program, RFPs were requested to identify consultants and professional firms with rural healthcare experience and knowledge. Of these seven hospitals, Community Hospital Consulting (RCHC's collaborative consulting partner) was awarded four contracts. To date, CHC Consulting's engagement in South Carolina has resulted in community hospitals being equipped with the tools, knowledge, and resources to create and execute a more sustainable model of service delivery.

## Conclusion

Together RCHC and CHC are creating a brighter future for rural and community hospitals. Closure does not have to be the future for these organizations. With earlier intervention and supportive resources, we can preserve and strengthen healthcare in rural America.

RCHC provides a sound method to identify hospitals at risk for closure and put them on a new path for success. It is our mission to seek funding and collaboration to help these hospitals improve performance and remain open.



## About CHC

Community Hospital Corporation owns, manages and consults with hospitals through three distinct organizations – CHC Hospitals, CHC Consulting and CHC ContinueCARE, which share a common purpose to guide, support and enhance the mission of community hospitals and healthcare providers. Based in Plano, Texas, CHC provides the resources and experience community hospitals need to improve quality outcomes, patient satisfaction and financial performance. For more information about CHC, please visit [www.communityhospitalcorp.com](http://www.communityhospitalcorp.com).

## References

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- Rural Health Information Hub. (2017, January 2). *Rural Health Disparities*. Retrieved June 10, 2017, from RHI Hub: With this information as a guide, hospital administrators, community stakeholders, and government leaders can develop an action plan. The Rural and Community Healthcare Collaborative (RCHC) has a network of relationships that can be leveraged to conduct further analysis should hospitals need improvement or consulting services.



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