For some rural communities, a stripped-down hospital is better than none at all

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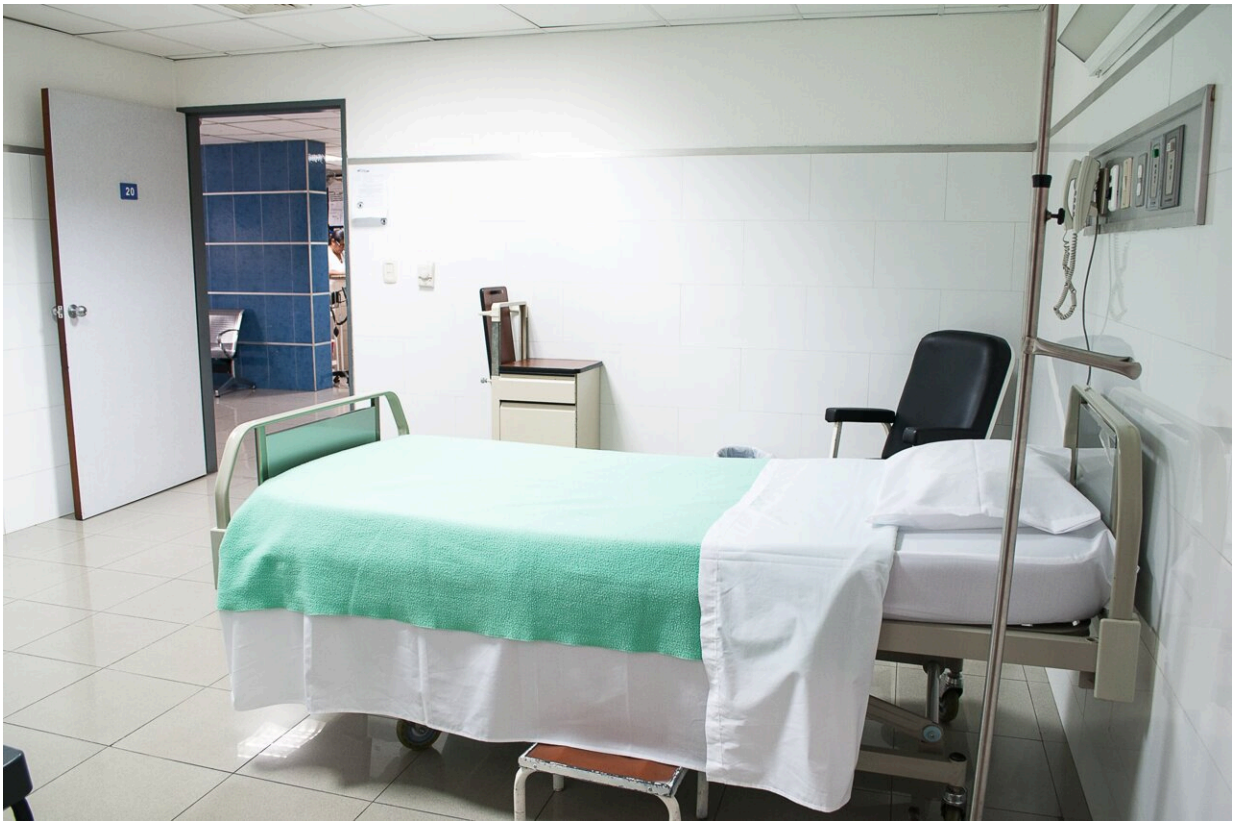

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On many days, some small hospitals in rural Mississippi admit just one patient—or none at all.

The hospitals are drowning in debt. The small, tight-knit communities they've anchored for decades can do little but watch as the hospitals shed services and staff just to stay afloat.

The federal government recently offered a lifeline: a new Medicare program designed to save dying rural hospitals that will pay them millions to stop offering inpatient services and instead focus on emergency care.

More than two dozen hospitals across the country, including five in Mississippi, have taken the offer.

Community reaction has been mixed, said Chad Netterville, director of the Mississippi Hospital Association's Rural Health Alliance.

"Some of the community feedback is, 'You're giving up. You're not a hospital any longer,'" said Netterville, himself a former administrator at a small rural hospital in south Mississippi. "In reality, the local hospital is giving up a service that's no longer viable anyway."

Under the new federal program, rural hospitals with fewer than 50 beds can become a "rural emergency hospital" to unlock additional government funding—about $3.3 million extra per year plus a 5% increase in Medicare reimbursements.

But there's a catch: Participating hospitals must stop all inpatient services. No labor and delivery, no inpatient surgeries, no inpatient psychiatric units.

Instead, they must become 24-hour emergency departments that offer some outpatient services but, on average, keep patients for 24 hours or less. They can only stabilize patients who need more acute care and transfer them out of the community to larger hospitals.

"It's not a panacea for rural health," said George Pink, deputy director of the North Carolina Rural Health Research Program at the University of North Carolina at Chapel Hill. "It's targeted at a small subgroup of rural hospitals, those that have typically been losing money for a long period of time and are at risk of closing."

Nearly one-third of rural hospitals around the country are at risk of closing, according to a new report from the Center for Healthcare Quality & Payment Reform, a national health policy research group. Research suggests rural hospital closures increase community death rates, harm local economies and force patients to travel farther for care.

In 2020, Congress established the Rural Emergency Hospital program, which the U.S. Department of Health and Human Services put into effect in January 2023. The goal is to preserve emergency care and at least some health services in communities that can no longer support a full-fledged hospital. More than 150 rural hospitals have closed or converted to other types of facilities in the past 15 years, primarily due to financial distress.

That distress has many causes. Rural communities have shrinking populations, leading to fewer patients filling hospital beds. Rural residents tend to be older and sicker than people in cities, requiring more expensive care. They are also more likely to be uninsured or underinsured, forcing hospitals to pick up the tab. And reimbursement rates by public and private insurers haven't kept pace with the cost of care.

In the past two years, at least 17 states have amended or enacted laws to allow hospitals to scale back their services under the new program. Other states, such as Mississippi, have existing state regulations they can modify to allow their hospitals to qualify.

Since January 2023, 27 hospitals have joined the program, out of 1,700 that researchers estimate are eligible, according to the Cecil G. Sheps Center for Health Services Research at the University of North Carolina at Chapel Hill.

Pink and other experts say it's too soon to know how well the program will work. Some community hospitals are embracing the new model. Meanwhile, some for-profit health care companies are testing whether a rural emergency hospital could be profitable.

In the middle of it all, rural communities are waiting to see what this "better-than-nothing" approach to health care will mean for them.

Community pushback

Mississippi is currently home to the most rural emergency hospitals in the nation, with five.

It's also home to a hospital management company, Progressive Health Group, that is focused on converting struggling rural hospitals to the new model. Progressive Health's CEO, Mississippi attorney Quentin Whitwell, said conversion might make sense for many hospitals—even some that aren't at death's door.

His company has converted a handful of hospitals in Mississippi, Arkansas and Georgia, with more in the works.

"We analyze hospitals that are either brought to us or that we identify, to see if we believe we can recruit the necessary providers, provide the necessary services, and be a benefit to the community," Whitwell said.

Rather than trying to keep rural hospitals with empty beds and few patients open, he said, the new federal designation can provide the

funding needed for a successful, leaner facility focused on select essential outpatient services, such as emergency care.

"We have contracts, letters of intent and expressions of interest in place, and are looking at hospitals from the West Coast to the East Coast," he said. "We don't necessarily have a target number of hospitals; we just want to be effective where we are."

But hospitals looking to make the switch can face pushback from their communities—and from physicians. An obstetrician in rural Alabama recently warned the state's health department that conversions could undermine maternal care by removing even more labor and delivery services from rural communities.

When asked about that possibility, Netterville, of the Mississippi Hospital Association, said many of Mississippi's small rural hospitals gave up their labor and delivery services long ago.

In some rural communities, converting a hospital won't result in a meaningful loss of services, said Brock Slabach, chief operations officer with the National Rural Health Association. Most of the rural hospitals that might consider converting have few patients using those services in the first place, he said.

Of the rural emergency hospitals listed in federal hospital enrollment data, nine are owned by private health care systems, while a few more are owned by hospital management companies such as Progressive Health.

It could make financial sense for larger health systems to convert smaller, less-profitable rural hospitals to rural emergency hospitals, said Pink. They would in turn funnel sicker patients from their outlying communities to the systems' larger flagship hospitals.

But, he said, "It would be a source of concern if systems are converting to this new model for the sole purpose of saving the system money, because I'm not sure that would be serving the care and access concerns of the rural community."

Changes ahead

"What do I have to give up?" is usually one of the first questions that rural hospital leaders have about the conversion program, Netterville said.

One of their biggest concerns is that converting means a hospital can't participate in some federal programs already designed to offset their costs. The 340B Drug Pricing Program, for example, allows them to purchase outpatient drugs at discount prices, while the Medicare "swing bed" program gives small, rural hospitals more flexibility in providing and billing for different types of care. Neither is available to rural emergency hospitals.

The National Rural Health Association supports some changes to the federal program, including allowing participating hospitals to be part of the 340B and swing bed programs.

But operators such as Whitwell also have been working on changes at the state level. Whitwell said his organization advocated for a bill in Mississippi that would have allowed rural emergency hospitals to license inpatient geriatric psychiatry beds on their campuses, creating another source of revenue. The bill died in committee this year, but Whitwell hopes a similar one will be filed in the next legislative session.

If a rural emergency hospital can't have a geriatric psychiatry unit under federal law, but a state authorizes the hospital's owners to separately license a unit, "that would be essentially a workaround," he said.

Stops and starts

Last May, Alliance Health Care System in Holly Springs, Mississippi, became the first hospital in the state to convert to a rural emergency hospital. Whitwell is the hospital's chief operating officer and legal counsel.

Less than a year later, the federal Center for Medicare & Medicaid Services rescinded its new status, saying the hospital is too close to Memphis, Tennessee, to meet its definition of "rural."

Hospital leadership had just laid off staff and shuttered its inpatient services to complete its transition to a rural emergency hospital. Now the North Mississippi community of fewer than 7,000 is without an emergency department.

Leaders assumed the hospital would be allowed to quickly return to an acute care facility, Whitwell said. "But they have forced us to relicense completely. Therefore, the hospital is essentially open without the ability to bill and collect for services."

While changes are proposed at the state and federal levels, Pink said it's still too soon to know how rural emergency hospitals will affect local communities.

"It's not just a different kind of hospital," he said. "It's a whole new way of doing things."