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Nutter: Rural hospitals face unique challenges

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By Dave Nutter

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Reforms enacted by the Affordable Care Act and the uncertainty surrounding closing the coverage gap in Virginia are creating new and unprecedented challenges for both rural and urban hospitals. While all hospitals must work within the confines of these hurdles, it is especially difficult for Virginia's smaller, rural hospitals to weather the changes. One rural hospital has been forced to close, and others have cut back service lines, jobs and other resources.

Rural hospitals are struggling in the current environment because of the unique challenges posed by the larger socioeconomic trends in rural Virginia. Over the past 25 years, as the manufacturing, textile and mining industries have declined, rural Virginia has shifted demographically to an older and often less healthy population.

For example, age-adjusted chronic disease rates often are noticeably higher, with chronic lower respiratory

disease deaths 59 percent higher in rural Virginia. Additionally, per capita income is lower in rural Virginia, while the percentage of low-income households, total population in poverty, and those not graduating high school are all significantly higher. As a result, nearly 80 percent of patients seen in a rural hospital are either uninsured or receive their health care through a federally funded program such as Medicaid or Medicare.

That is a staggering figure. To put it another way, only 20 percent of patients at rural hospitals are commercially insured. Rural hospitals can only expect to be fully reimbursed for the costs of care for 20 percent of the patients they see.

For the remaining patients, rural hospitals are reimbursed somewhere between 68 percent of costs for Medicaid beneficiaries and 90 percent of costs for Medicare beneficiaries or not reimbursed at all.

These factors combine to create a dangerous financial picture for Virginia's rural hospitals. Of the 37 hospitals classified as rural by the federal government, 20 had negative operating margins last year, while seven had a negative net worth.

This financial picture makes it nearly impossible for these hospitals to invest in their people, technology and infrastructure. Over the long-term, if unaddressed, it will lead to the loss of certain services and potentially the closure of facilities.

Why are these issues so important? Not only do our rural hospitals provide critical emergency care and the preventive care we all need, but they are also among the largest economic engines in rural Virginia.



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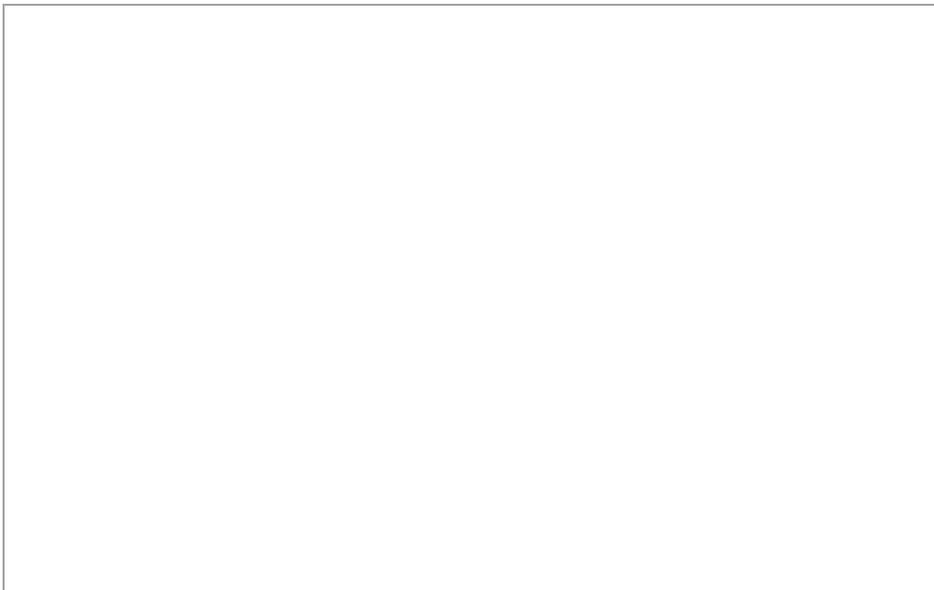
Rural hospitals employ more than 17,564 Virginians on a full-time basis. In 82 percent of Virginia's rural counties, health care is among the top five employers. Every job created or sustained in a rural hospital leads to two other jobs in the community.

Additionally, the proximity of a rural hospital is a critical factor in economic development decisions. It is highly unlikely that a company seeking to locate a new manufacturing or distribution facility in rural Virginia is going to choose a locality without close proximity to a hospital.

Our rural hospitals also provide an inordinate amount of community benefit each year, totaling \$394 million in 2012. Key examples include \$98 million in charity care, \$106 million in bad debt expenses, and \$13 million for subsidized health services.

There are many pressing challenges facing rural Virginia today. None may be more demanding than those facing our hospitals. We cannot begin to address economic development, education and workforce issues until we come to the table to identify meaningful solutions to the challenges facing our hospitals.

Rural Virginia's future is bright, but we must act, and we must do so now, to ensure this future potential is realized.



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Rural hospitals would have a much better chance of making it if Virginia would expand Medicaid to provide health insurance coverage to the working poor. Mr. Nutter does not say what action is needed, but Medicaid expansion is the white elephant in the room. Virginians already pay the federal taxes that would provide the expanded benefit, but political ideology in the General Assembly is standing in the way of this common sense and financially viable solution.

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