

Rural Hospitals



at a
Crossroads



Rural hospitals are the lifeblood of much of Alabama. They provide emergency medical care to those in need and preventative health care that sustains rural communities. They employ thousands of hardworking Alabamians and drive local economies through their payrolls, purchases, and infrastructure investments.

They are essential for attracting and keeping businesses and economic development because it is unlikely that a major employer will locate in a community that does not have a readily available hospital and health care.

We encourage you to learn more about Alabama's rural hospitals and the vital role they play in our local communities. Let's work together to make sure they have a bright future.



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Chris Griffin
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Rural Alabama

Rural areas in Alabama greatly contribute to the livelihood of our state. The majority of the state's land mass is rural, and most counties are classified as rural.

Rural Alabama is home to over 43,000 farms across 8.9 million acres, with sales contributing more than \$5.3 billion to Alabama's economy in 2012.

The **well-being of Alabama's rural communities** depends on the continued availability of good-paying jobs, access to critical services such as education, communications, and **especially health care**.

96%

of Alabama's land mass is rural

53

out of 67 Alabama counties are rural

40%

of Alabamians live in rural areas

Rural Hospitals in Alabama

Alabama's rural hospitals ensure that residents in rural communities receive the right care, at the right place, at the right time. Rural hospitals not only contribute to the health and wellness of the local residents, but also to the overall strength of the community's economy.

In Alabama, 50 hospitals meet the federal criteria to be considered "rural." **These hospitals treat more than 110,000 patients annually.**

Rural hospitals in Alabama deliver an impressive array of services, including emergency, primary, chronic, and long-term care, as well as home health care, hospice care, and assisted living.

Rural hospitals continue to demonstrate quality, patient satisfaction, and operational efficiency for the type of care most relevant to these communities.





Value of Rural Hospitals in Alabama

Economic Cornerstone

Hospitals and health systems are among the state's largest employers and economic engines. Annually, Alabama's hospitals contribute \$19.1 billion to the state's economy. This economic impact is particularly significant in rural communities.

One primary care physician in a rural community creates up to 23 jobs annually and \$1.0 million in wages, salaries, and benefits. Annually, **rural hospitals contribute nearly \$650 million in payroll and benefits.**

Approximately half of Alabama's hospitals operate in rural areas. These hospitals are the anchors of the health care infrastructure, providing a high level of skilled jobs.

**Hospitals are a top 5 employer in
60% of rural counties**

Major Employer

Alabama's hospitals tend to be among the largest employers wherever they are located, and in rural areas this is even more frequently the case. **Over 84,000 people are directly employed by Alabama hospitals statewide and nearly 15,000 of those are in rural hospitals.** These jobs also create more jobs outside of the hospital in the community.

Every hospital job creates two jobs in the local economy



14% of total employment in rural areas is attributed to health care

“When an industry evaluates a community as a location for a new facility, both the quality and the availability of local healthcare is an essential part of that analysis and in rural communities, it is absolutely critical.”

Jim Searcy, Executive Director
Economic Development Association of Alabama

Industrial Recruitment

Health care services are important to a community’s economy in terms of the employment and income generated in the local economy, as well as **attracting and retaining business and industry**. Quality of life issues, including healthcare access, are important factors for a business seeking to relocate their facilities.

The presence of a viable hospital is an influential factor in a business’ decision to locate in a given area. **Alabama’s award winning hospitals are often touted by economic developers** as they recruit industries from around the world.





Access to Care

A key value of rural hospitals is that Alabamians can access needed care immediately, or, if necessary, be stabilized and then transported to a larger facility with more specialized services. Much of the time, the patient can be treated in his own community.

Rural hospitals provide essential frontline health care services and play a pivotal role in their communities.

24 hours a day, 7 days a week our hospitals are prepared to care throughout every storm and disaster, saving lives and treating the sick and wounded. Hospitals are also the first place the community turns to when disasters strike.

When disasters strike...

...our hospitals are there.

Health Outcomes

People with access to care are healthier. Rural hospitals help to maintain a healthy, productive community. In a rural hospital, the patient is a neighbor or friend that the health care providers know.

If patients have to travel long distances, they are less likely to seek preventative services. This often leads to delayed care, which can lead to more expensive interventions later.

Rural hospitals deliver high-quality patient care with outstanding efficiency and cost effectiveness.



Hospitals boost the health of their patients and their communities.

Challenges Rural Hospitals Face

By the numbers...

8% liquidated assets

33% cut services

38% reduced employee
benefits

50% cut employee
salaries

55% reduced hospital
staff

From 2011 to 2014, **5 rural hospitals closed** in Alabama

Financial Challenges

Alabama's rural hospitals have an average operating margin of only 1.1%, with

45% of rural hospitals operating in the red.

Additionally, more than half have seen an increase in bad debt and charity care, as well as an increase in costly emergency department care.

Lower Reimbursement

Alabama has the lowest revenue-per-discharge rates in the nation. In addition, federal reimbursement cuts continue, even as the cost of providing care increases. The result of this is that reimbursements are not covering the costs of hospital-based services, forcing hospitals to find extreme ways to cut cost by cutting staff, services, or even closing their doors.

When a rural hospital closes, not only are jobs lost, but many times the local per capita income levels fall by 4 percent. Research also shows that unemployment rates rise by 1.6 percentage points in communities that lose their only hospital.

Rural areas tend to have more elderly citizens and a higher percentage of those living at the poverty level. Therefore, while the average Alabama hospital might have half of its patients covered by Medicare and Medicaid, the rate can be as high as 75% for rural hospitals. Making matters worse, reimbursements can change from year to year, making long term strategic planning difficult.

Rural Hospitals & Medicaid

Medicaid is vital to the future of rural hospitals. A state and federal program, Medicaid provides health care coverage to children, pregnant women, the elderly, and the disabled.

Medicaid Reform

The state legislature passed the framework for reform in 2012. Several items were called for including regional managed care entities that will accept a capitated payment for Medicaid beneficiaries in a specific region. Local groups will come together to coordinate and provide the health care needed. This is scheduled to start in October 2015. This reform places the risk at the community/provider level and relieves the state of the fiscal uncertainty. A per member/per month payment will incentivize providers to keep Medicaid recipients well and to better manage their care.

Medicaid Expansion

Alabama has an opportunity to expand Medicaid, offering an additional 300,000 working adults health coverage. Alabama would stand to gain \$12 billion over 6 years if Medicaid is expanded, which could have a total economic impact of \$28 billion. In addition, 30,000 jobs could be created in everything from health care to retail to construction.

Additionally, Alabama would have an opportunity to design a state-based solution to Medicaid that would meet the unique needs of our communities.

Rural hospitals are a tremendous asset to our state, to the communities they serve, to individual patients, and to the people they employ.

We are 100% committed to their future.





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