The Impact of a Rural Hospital Closure

About TORCH

Texas Organization of Rural & Community Hospitals (TORCH) is the voice and principal advocate for rural and community hospitals in Texas. We provide leadership in addressing the special needs and issues of these hospitals. For more information, call (512) 873-0045 or visit the website at torchnet.org.

At TORCH we strive to demonstrate our value and commitment through valuable programs, services, education, advocacy, publications, professional development and representation.

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The impact from a rural hospital closure can be immediate and deadly, as well as long term and economically detrimental to a community.

There are documented deaths resulting from rural hospital closures in Texas where patients in need of immediate emergency care didn't find it soon enough as the local hospital had closed. Probably the most well-known case is that of an 18-month old infant in Center, Texas (Shelby County) that died on August 12, 2013. The small girl was choking on a grape when her parents rushed her to the local hospital only to find it had closed days earlier. There are similar stories in communities where hospitals have closed.

Besides the human tragedies, there is a long-term economic downside from a closure. Hospitals (urban and rural) were never intended to be considered an economic factor in communities, but that is the reality. In Texas, the average rural hospital employs 170 people with an annual budget of $22,500,000. That translates statewide to 27,000 jobs

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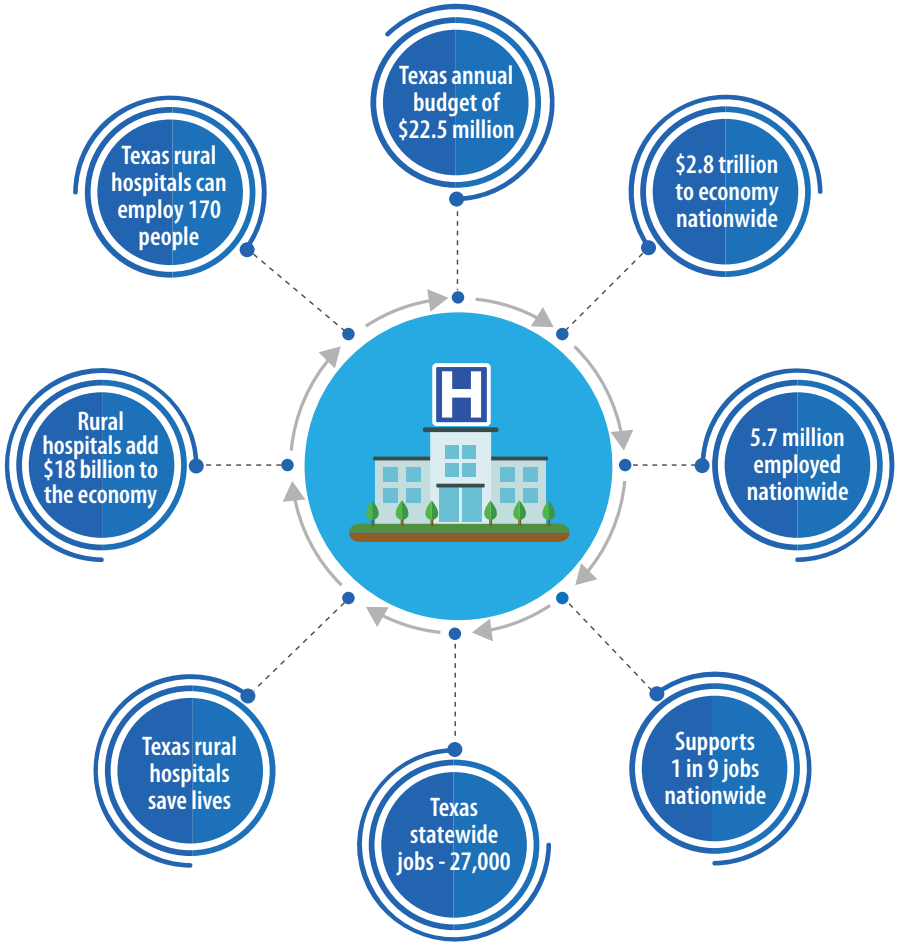

and combined expenditures, including payroll, of $3,600,000,000 yearly. The full economic impact of the 162 rural hospitals in Texas is estimated at $18 billion a year with economic impact multipliers! According to the American Hospital Association, nationwide the hospital industry employs 5.7 million people and supports 1 out of 9 jobs in the U.S., as well as supporting $2.8 trillion in economic activity a year. For rural Texas, the local hospital is often the second largest employer in town, slightly behind the local school system. Hospitals, schools, and churches are said to be the foundation for most rural communities – the three-legged stool of a town's vitality. Without a leg, however, the stool becomes shaky.

Most leaders in a rural community with a closed hospital will tell you that there is a severe economic setback. The vast majority of the hospital employees will relocate elsewhere, along with their families. Most medical job skills do not transfer into other jobs that might be available in a rural community. With the departure of each family comes less trade business at the local grocery and hardware store. Less sales tax paid means less month for the city to operate on. And, with fewer children enrolled in the local school, the school receives less funding from the state, which may in turn lead to the layoff of teachers. Local economic development and chamber officials to point out that having health care access and a hospital is critical to bringing in new businesses. Without a hospital, the job of economic development is much tougher!

There is an abundance of research on the economic impact of rural hospital closures and most all studies point to a very negative and lasting effect. An example is "The Effect of Rural Hospital Closures on Community Economic Health" which is a research paper commissioned by US National Library of Medicine at the National Institutes of Health. The 2006 paper found "that the closure of the sole hospital in the community reduces per-capita income by $703 ($p<0.05$) or 4% ($p<0.05$) and increases the unemployment rate by 1.6 percentage points ($p<0.01$). Closures in communities with alternative sources of hospital care had no long-term economic impact, although income decreased for two years following the closure." The paper concluded "The local economic effects of a hospital closure should be considered when regulations that affect hospitals' financial well-being are designed or changed."

There is also a false assumption that when a rural hospital closes, people will simply seek the care elsewhere. The problem is that "elsewhere" can be dozens or even hundreds of miles away in rural Texas. And in the case of Medicare and Medicaid patients, they are more likely to have transportation challenges. The inability to access care easily and quickly is documented to result in more time lapsing and a patient having the need for a higher acuity of care which in turns means more expensive care. And traveling longer distances for trauma care increases the likelihood the patient will not survive.

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There have been some cases of a closed rural hospital successfully reopening, but it is rare. Of the 19 Texas closures since January of 2013, four reopened following closure and remain open, three closed but were replaced with a stand-alone emergency room or urgent care center, and 10 of the communities still have nothing. And, even when a closed rural hospital reopens, the community never fully recovers. Reopening a hospital comes with many challenges and is difficult and risky. A new license must be obtained from the state and provider numbers must be obtained from both Medicare and Medicaid which can take months, even up to a year. Contracts must be negotiated with insurance companies. Staff must be recruited and hired. Most will have to move to the community. Patients that once were treated in the hospitals have found new hospitals in other communities and may not want to break the newfound loyalty, even if it is miles away. A huge barrier is that local physicians have may developed relationships with a new distant hospital. They may have even moved their practice elsewhere because there was not a local hospital to admit their patients to. Many citizens in the community will have a level of distrust toward a reopened hospital fearing it will never return to the quality of care as before or that it will fail again. The financial hurdle associated with the reopening makes success a long climb.

As an example, the hospital in Weimar, Texas (Colorado County) closed its doors in August of 2012 and reopened in August 2015 under new ownership only to close again in November of 2016 but reopen yet again in February of 2017, and then closed again in the fall of 2017. Some reopenings have been apparently successful such as Cozby-Germany Hospital in Grand Saline, Texas (Van Zandt County) which closed in 2013 and reopened April of 2015 as Texas General Hospital, and Central Texas Hospital, Cameron, Texas (Milam County) which closed in 2013 and reopened in November of 2014 as Little River Healthcare.

Another noted factor in some reopenings, in the case of private ownership, is limiting patients to cash only and turning away insured patients and even government funded patients. Access to care is then to a very limited number of citizens.

Every effort possible should be brought about at the local, state, and federal level to keep a struggling rural hospital open. If one closes, the community will never be the same and the chances of reopening the hospital permanently are slim.