OPINION

Insurance companies are bleeding our rural hospitals and communities dry

Their payer practices erode patient care, force delays in care, bankrupt many patients who get care and threaten vulnerable medical centers.

By Mark Craig and Ed Frauenheim

The heartland is under attack these days, preyed on by a health insurance industry that is bleeding rural hospitals to death in Georgia and throughout the country.

Mark Craig

Ed Frauenheim

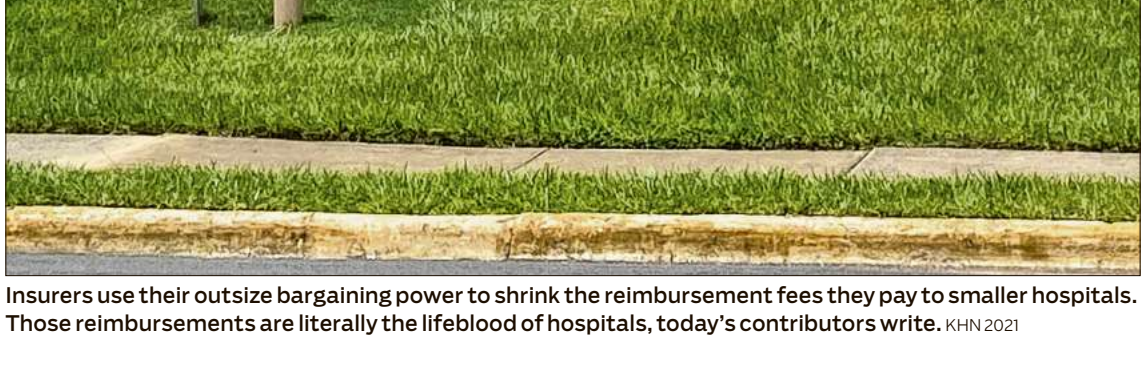
Using loopholes in the federal Medicare Advantage program in particular, private insurance corporations are squeezing community hospitals to pad their already hefty profits.

The Write-Off Warrior, a research and advocacy firm focused on serving rural health systems, surveyed more than 35 rural hospitals in Georgia and across the United States. We found insurance companies requiring cumbersome approvals for standard treatments such as inpatient hospital stays and skilled nursing services, while denying payments or delaying them for weeks on end.

In addition, insurers use their outsize bargaining power to shrink the reimbursement fees they pay to smaller hospitals. Those reimbursements are literally the lifeblood of hospitals, making up the majority of their revenue.

At the same time, insurance corporations are pushing more and more costs onto patients in the form of high deductibles and copays. Although 90% of Americans have some form of health insurance, 20 million people now owe medical debt. Hospitals are forced to collect copays and deductibles, pitting struggling patients against strapped rural health care providers.

In sum, insurance payer practices are eroding patient care, forcing patients to delay care, bankrupting many patients who do receive care and threatening the viability of rural hospitals – the heartbeat of America's small towns.



Insurers use their outsize bargaining power to shrink the reimbursement fees they pay to smaller hospitals. Those reimbursements are literally the lifeblood of hospitals, today's contributors write. KHN 2021

Jeff Davis Hospital in Hazlehurst, Georgia, is among the rural health systems stressed financially today. Last year, the hospital dipped into the red for the first time in seven years. Barry Bloom, the hospital's chief executive, says the hospital might run at a loss again this year, thanks in large part to the impact of Medicare Advantage plans and other insurance industry practices.

Bloom and his board of directors are facing a decision no rural leader wants to confront. As giant insurance players siphon more and more dollars from small rural hospitals, how can local hospitals remain viable? How can they cut costs without harming patient care? And if they merge with a larger system, will that mean a serious drop in quality care for the community?

"We have to ask whether at some point rural facilities are not going to be able to survive as independent hospitals," Bloom says. "Are we going to go to that scenario of being, basically, Band-Aid stations?"

Growing evidence of a problem

Traditional Medicare is a health insurance program for senior citizens funded by U.S. taxpayer dollars and taxpayer contributions over a lifetime of work. Through the Medicare Advantage program, federal funds flow to private insurance corporations, which then reimburse hospitals for patient treatments.

Federal law enables Medicare Advantage providers to require prior authorization for a range of services. But rural hospital leaders say insurance companies are violating the spirit of the law by requiring approvals for routine procedures and frequently denying medically necessary services, including as MRIs and inpatient rehabilitation stays.

Our interviews with rural hospital leaders show they are hurting badly under current payer practices. Insurance companies, meanwhile, have been posting record profits. In 2023, the top five insurers had profits of more than $40 billion. Much of that business growth comes through Medicare Advantage.

In our survey, 73% of rural hospital leaders singled out Medicare Advantage plans as their most challenging insurance payer. Problems with payments from Medicare Advantage plans and hardball rate negotiation tactics have direct impacts on patient care, rural hospital leaders told us. These include cutting services such as maternity care and mental health services, putting off facility upgrades and limiting staff pay increases – which means difficulty attracting and retaining great talent.

"The odds are stacked against rural hospital survivability," says Jimmy Lewis, chief executive of HomeTown Health, a Georgia-based organization that advocates for rural hospitals. "The increasingly difficult negotiation and communication with insurance companies and the expansion of red tape and processes related to authorizations and appeals over denials causes a heavy burden with direct impacts on the bottom line."

In fact, a dozen rural hospitals have closed in Georgia since 2000, and another 18 are at risk at closing.

Expose the vampire?

Rural hospital leaders and advocates are calling for a number of reforms, including faster approval decisions and forcing Medicare Advantage providers to reimburse hospitals at the same level as traditional Medicare.

Rural hospitals are fighting for their lives. It's the tale of Count Dracula, who lived in his well-appointed castle while gradually devouring the nearby community. A health insurance industry dripping with profits and armed with lobbyists is quietly sucking the life blood out of rural hospitals and their communities.

It's time to sound the alarm and prevent more hospitals from closing. We must bring sunlight to dark practices that are doing grave harm to rural Georgia and the entire American Heartland.

Mark Craig is chief executive of The Write-Off Warrior, a Georgia-based research and advocacy firm focused on serving rural health systems.

Ed Frauenheim is an author focused on business and culture matters. He has co-authored books including "Good Company: Business Success in the Worthiness Era."

Let's protect Ga. innovation by preserving law that enables it

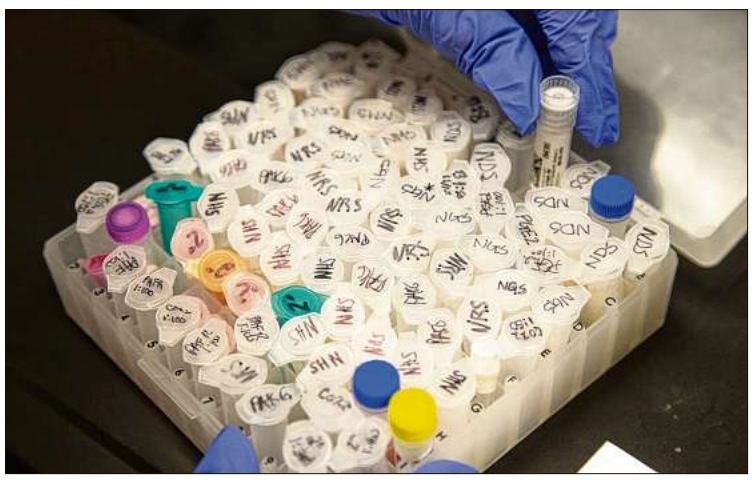
Upending Bayh-Dole Act could wreck the engine powering job growth in our state.

By Doug Collins

The Biden administration has put forward a new policy framework that would upend the 1980 Bayh-Dole Act, a bipartisan law that has supported millions of jobs and led to the creation of thousands of venture-backed startups.

Doug Collins

I worry this proposal would wreck the engine powering innovation and job growth in Georgia – and hope it's quickly withdrawn.



Georgia is a powerful case study of Bayh-Dole's success. Startups from just the University of Georgia generate more than $500 million in annual economic impact, former U.S. Rep. Doug Collins writes. AJC 2020

The Bayh-Dole Act allows universities to file patents for promising discoveries they make with the help of federal dollars. Startups can then license those early-stage discoveries from universities and, often with the help of venture capital, transform them into real-world products that benefit consumers.

Under this ingenious system, taxpayer resources help underwrite early-stage research, while private capital fuels the arduous process of translating that research into useful inventions.

Everyone wins. Universities typically collect fees or royalties that are then reinvested into future research. Startups and venture investors, if successful, receive returns. And the public benefits from life-changing products, ranging from drugs and medical devices to consumer electronics and agricultural technologies.

Georgia is a powerful case study of Bayh-Dole's success. Startups emerging from just one of our state's universities, the University of Georgia, generate more than $500 million in annual economic impact, with more than 200 companies spinning out of UGA research. Georgia Tech features similar startup activity and licensing success stories.

Behind the stats lies research that saves and improves lives.

Take Emory University scientist Dennis Liotta. Motivated by the exploding 1980s AIDS crisis, he leveraged federal grants into pioneering disease research. This led to two compounds approved in antiretroviral cocktails that turned HIV from a fatal to a manageable condition and saved more than 25 million lives.

Just 5 miles away, Georgia Tech professor Lakshmi Dasi's research on cardiac care produced an AI technology that can more precisely measure the structure of a patient's heart and spot potential surgical complications. DASI Simulations, the spinout company, has been able to reclassify previously inoperable patients as candidates for lifesaving procedures.

But Liotta's, Dasi's and other researchers' discoveries might have perished in the lab without Bayh-Dole. Before the law, the government retained patent rights for any discovery it helped fund. Agencies rarely granted exclusive licenses for these patents, meaning private firms had little incentive to spend millions of dollars commercializing them. By 1980, fewer than 5% of more than 28,000 government-held patents had been licensed.

Bayh-Dole reimagined this system by allowing universities to grant exclusive licenses for patents arising from taxpayer funding. Decentralizing control of federally funded research unleashed a historic wave of private investment and innovation that continues today.

Over the past four decades, Bayh-Dole has added nearly $2 trillion to U.S. output, supported more than 6 million jobs across multiple sectors and enabled the creation of more than 17,000 startups.

The legislation has had an especially large impact on the biotechnology industry, helping bring more than 200 new drugs and vaccines to market. Today, more than 75% of all biotech firms hold licenses to university inventions. At least half these companies originated as university spinouts.

Unfortunately, a recent White House plan threatens to shake this wildly successful system to its core. The draft framework encourages the agencies to tear up exclusive patent agreements struck between universities and private companies if a federal official thinks the price of a resulting product – such as a medicine – is too high.

It's a deeply flawed approach. For one, nothing in the law permits the government to forcibly yank patents from startups over price. The law's architects explicitly said so. More importantly, the plan would undermine confidence in any patent associated with federal dollars, effectively making government funded research "toxic" in the eyes of venture capital investors.

Firms routinely spend millions – or even billions – of dollars commercializing inventions. This up-front investment is often backed by venture capital. Without the assurances exclusive patents provide, such enormous risks simply wouldn't be possible.

The Biden administration's new plan would undermine our state's burgeoning innovation hubs. By chilling startups and company relocations, the proposed framework jeopardizes high-salary jobs, tax revenue and an influx of young talent. More important, we risk losing the next Dr. Liotta or Dr. Dasi.

The Bayh-Dole Act has helped enable Georgia's – and the nation's – booming high-tech industries. If the Biden administration wants this success to continue, it must abandon its misguided effort.

Doug Collins represented Georgia's 9th Congressional District from 2013 to 2021 in the U.S. House of Representatives and is a former U.S. Senate candidate.