

# Powering Through the Super Storm: The Rural Governance Challenge

36<sup>th</sup> Annual AHA Rural Health Care Leadership  
Conference

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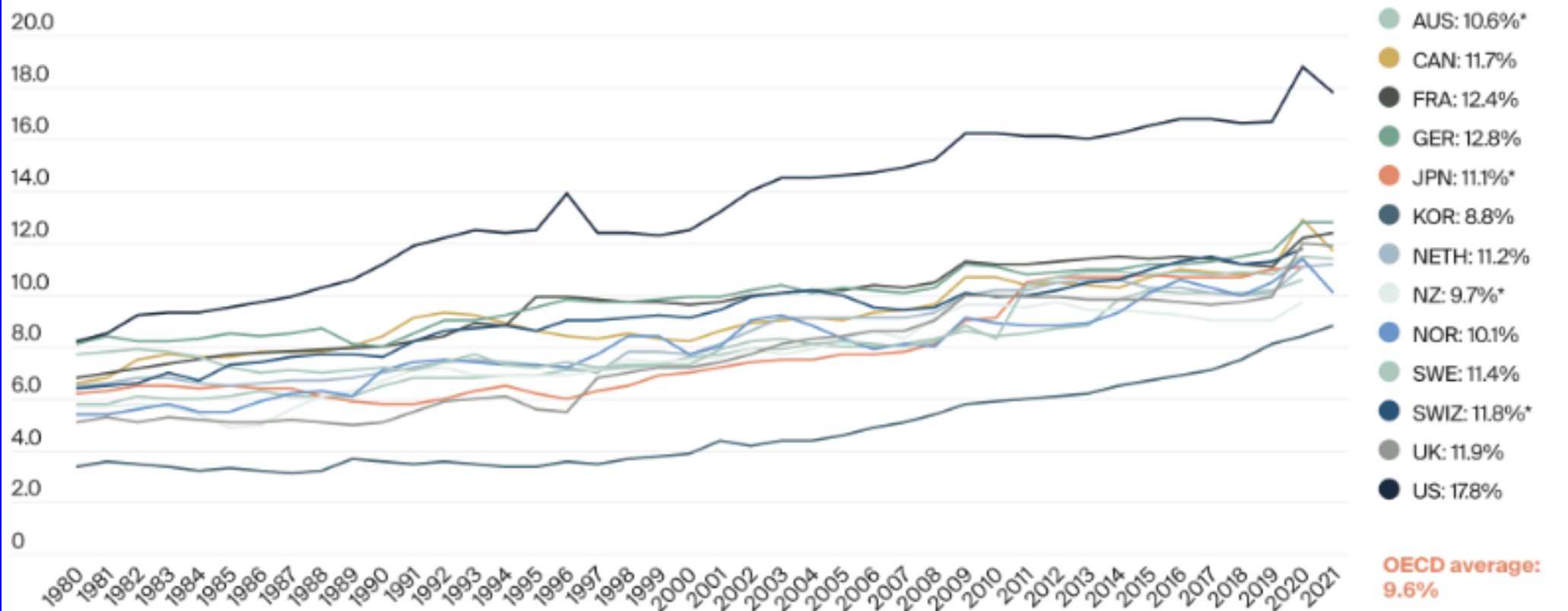
# Health Care – Pushing the Limits of Affordability

- U.S. health care spending grew 9.7 percent in 2020, reaching \$4.1 trillion or \$12,530 per person.
  - Health spending accounted for 19.7 percent of GDP.
  - This growth rate is substantially higher than 2019 (4.3 percent). This substantial acceleration in spending can be attributed to increases in government spending to manage the unprecedented COVID-19 pandemic.
- CMS.gov National Health Expenditure Accounts.



# The U.S. is a world outlier when it comes to health care spending.

Percent of GDP spent on health, 1980-2021\*

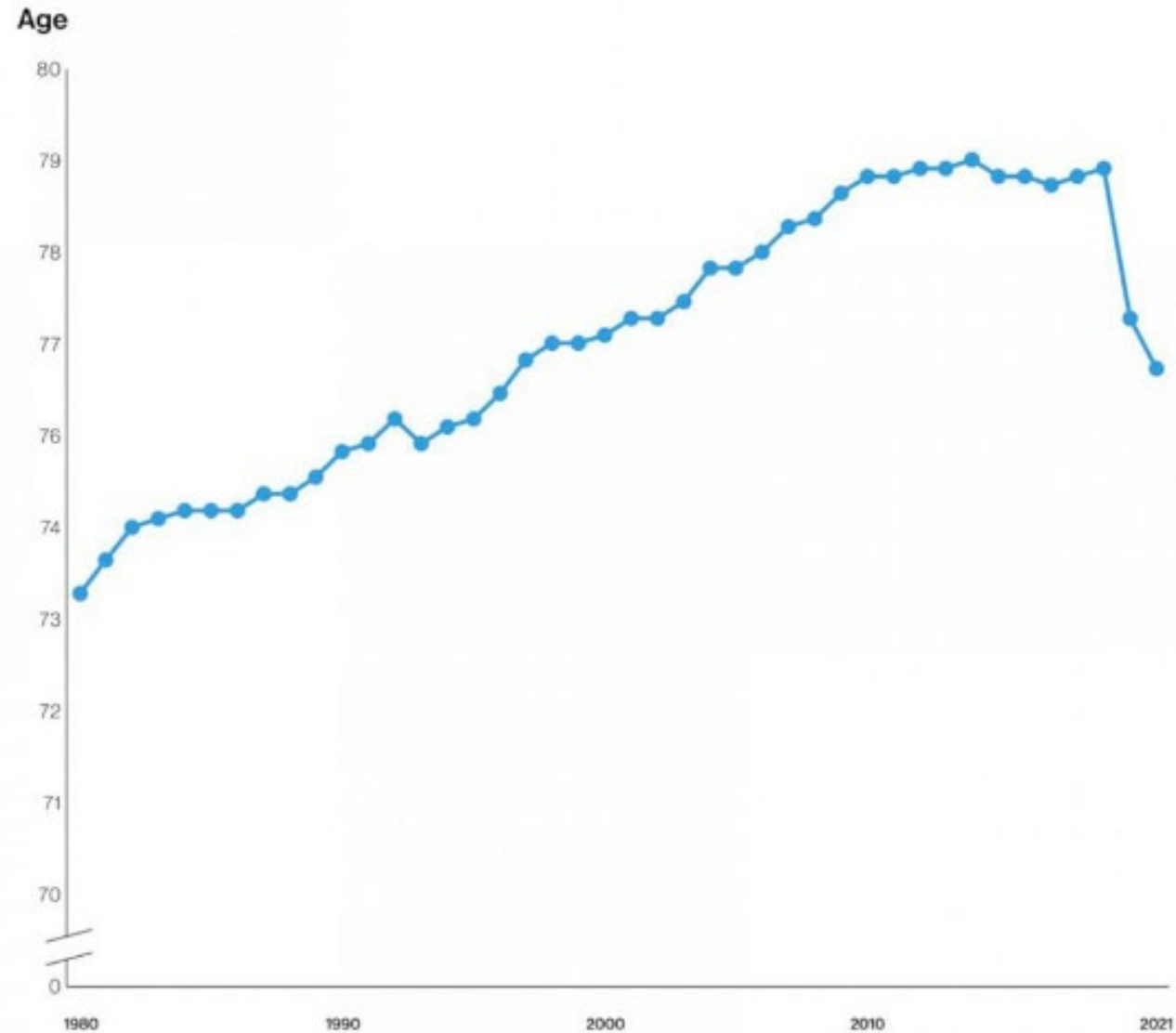


Data: OECD Health Statistics 2022.

Source: Munira Z. Gunja, Evan D. Gumas, and Reginald D. Williams II, *U.S. Health Care from a Global Perspective*, 2022: *Accelerating Spending, Worsening Outcomes* (Commonwealth Fund, Jan. 2023). <https://doi.org/10.26099/8ejy-yc74>

# Life Expectancy in the United States

1980-2021



SOURCE: NATIONAL CENTER FOR HEALTH STATISTICS



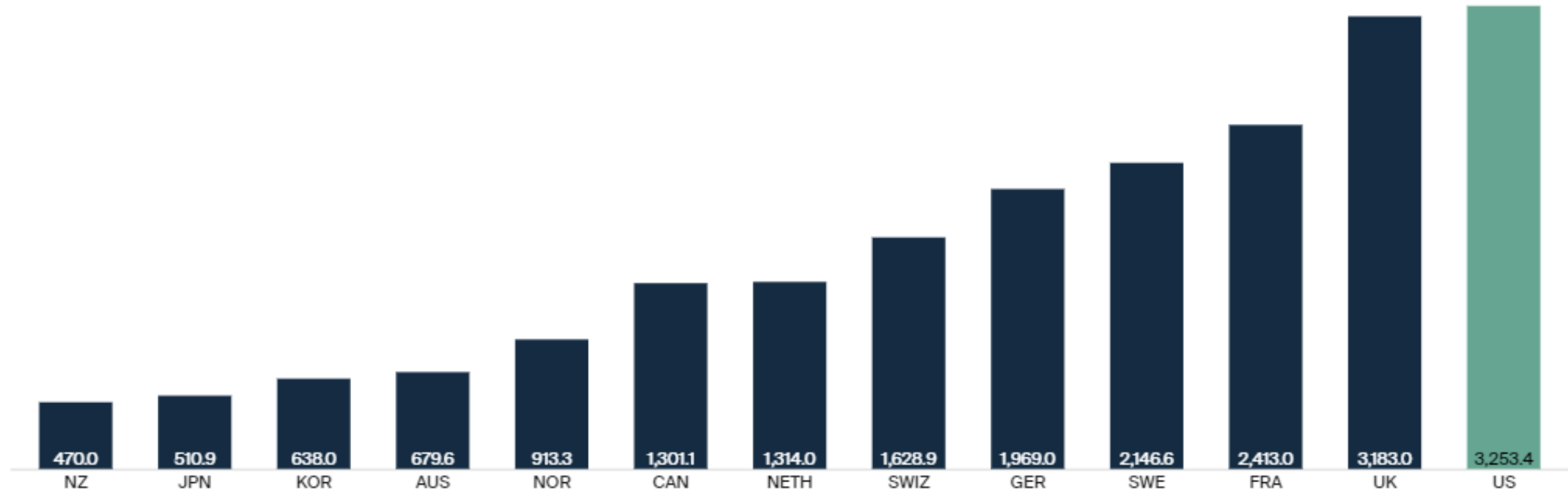
U.S. life expectancy at birth is 3 years lower than OECD Average.

OECD Health Statistics 2022.



# The U.S. has the highest rate of death because of COVID-19.

Deaths per 1 million because of COVID-19



Notes: Rate per 1 million people who have died from COVID-19 since January 22, 2020. Available data as of January 18, 2023.

Data: [Our World in Data](#).

Source: Munira Z. Gunja, Evan D. Gumas, and Reginald D. Williams II, *U.S. Health Care from a Global Perspective, 2022: Accelerating Spending, Worsening Outcomes* (Commonwealth Fund, Jan. 2023). <https://doi.org/10.26099/8ejy-yc74>

**Confirmed Global Cases: 673,010,204**

**Global Deaths: 6,854,957**

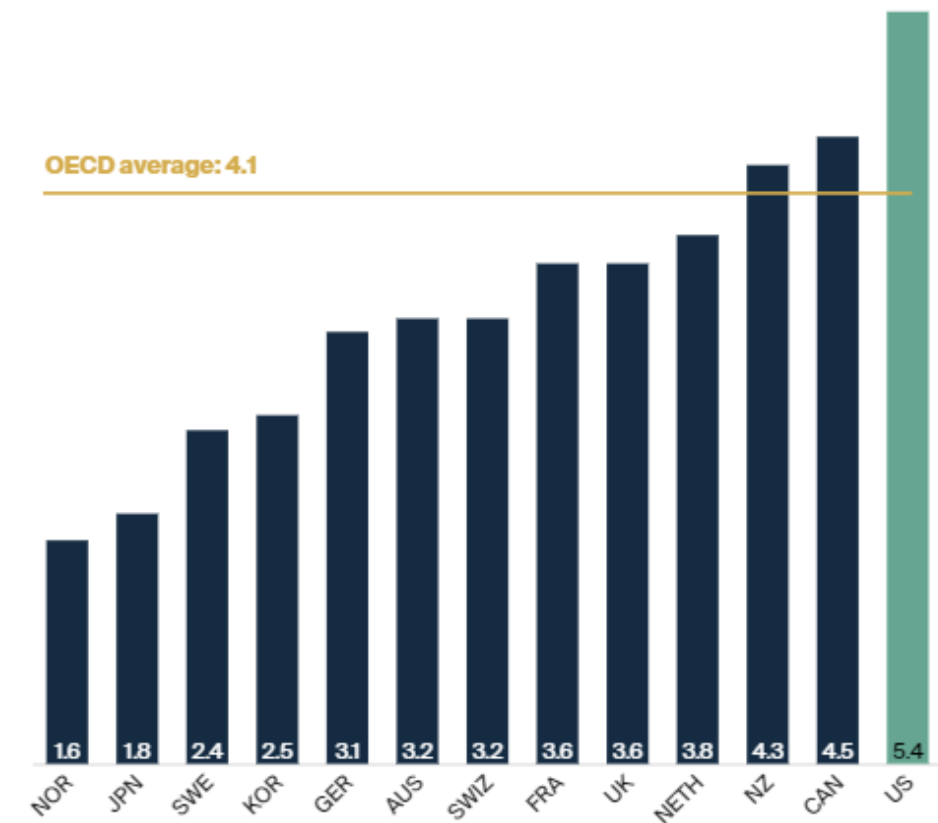
**Confirmed US Cases: 102,870,063**

**US Deaths: 1,114,542**

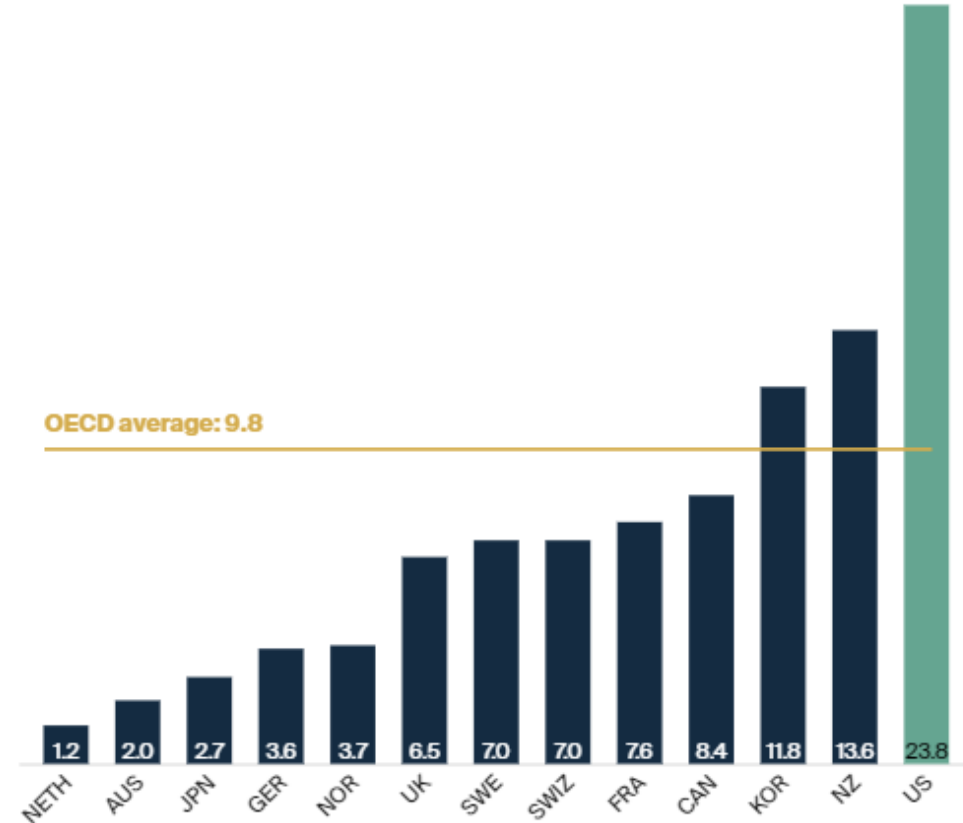
**Fully Vaccinated : 71% of US population;  
229.8 Million**

# The U.S. has the highest rate of infant and maternal deaths.

Infant mortality, deaths per 1,000 live births



Maternal mortality, deaths per 100,000 live births



Notes: Infant mortality rates reflect no minimum threshold or gestation period or birthweight. Infant mortality 2021 data for FRA and SWIZ; 2020 data for AUS, CAN, GER, JPN, KOR, NETH, NOR, SWE, UK, and US; 2018 data for NZ. Maternal mortality 2020 data for AUS, CAN, GER, JPN, KOR, NETH, NOR, SWE, and US; 2019 data for SWIZ; 2018 data for NZ, 2017 data for UK; 2015 data for FRA. OECD average reflects the average of 38 OECD member countries.

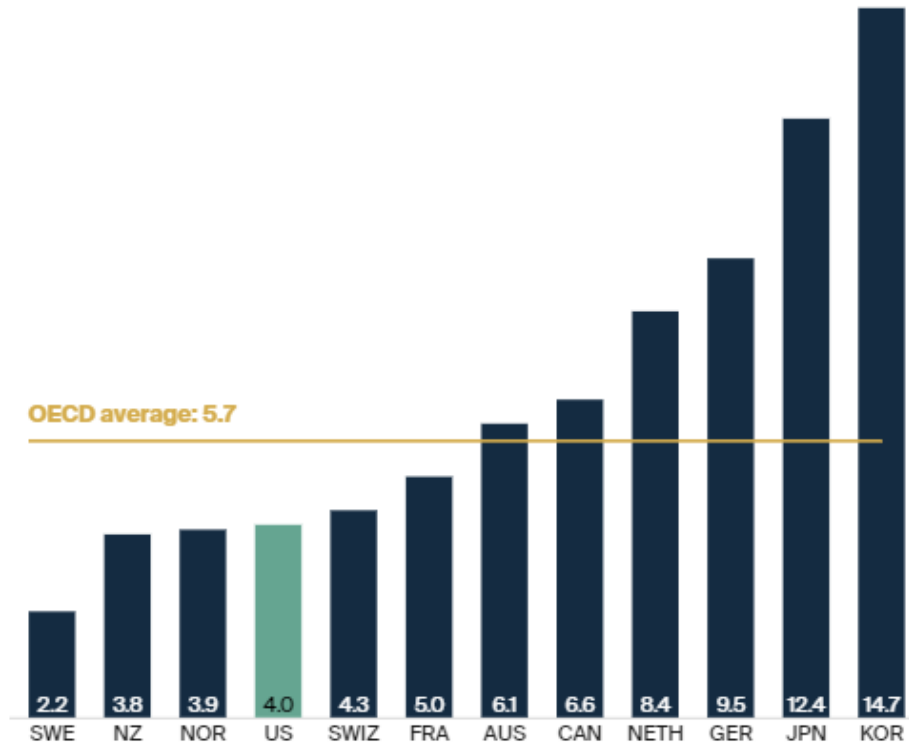
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# The U.S. has among the lowest rates of physician visits and practicing physicians.

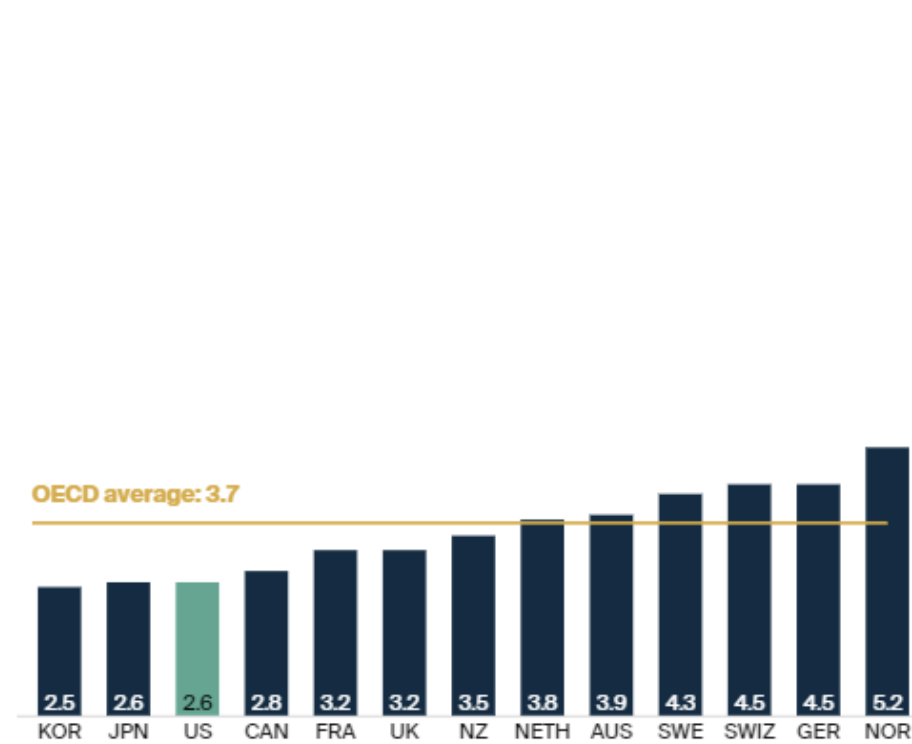
Physician consultations in all settings per capita



Notes: Data for UK not available. 2021 data for AUS and NOR; 2020 data for FRA, GER, KOR, NETH, and SWE; 2019 data for CAN and JPN; 2017 for NZ and SWIZ; 2011 data for US. OECD average reflects the average of 37 OECD member countries, including ones not shown here.

Data: OECD Health Statistics 2022.

Practicing physicians per 1,000 population



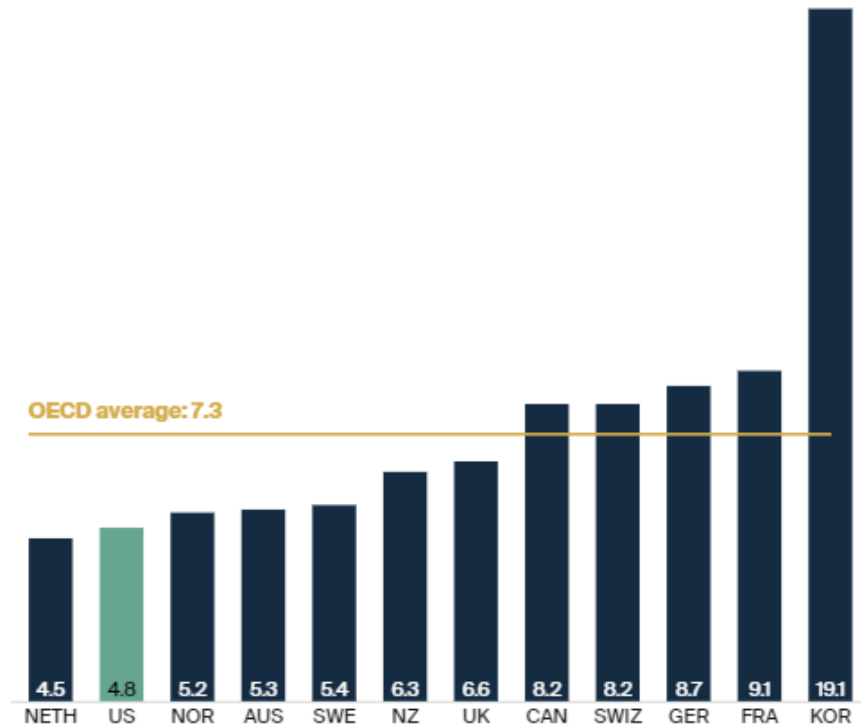
Notes: 2021 data for CAN, GER, NZ, NOR, SWIZ, and UK; 2020 data for AUS, FRA, JPN, KOR, and NETH; 2019 data for SWE and US. OECD average reflects the average of 31 OECD member countries, including ones not shown here.

Data: OECD Health Statistics 2022.

Source: Munira Z. Gunja, Evan D. Gumas, and Reginald D. Williams II, *U.S. Health Care from a Global Perspective, 2022: Accelerating Spending, Worsening Outcomes* (Commonwealth Fund, Jan. 2023). <https://doi.org/10.26099/8ejy-yc74>

# Hospital stays are shortest in the Netherlands and the U.S. The U.S. has among the lowest number of hospital beds.

Average length of stay for inpatient care (days)

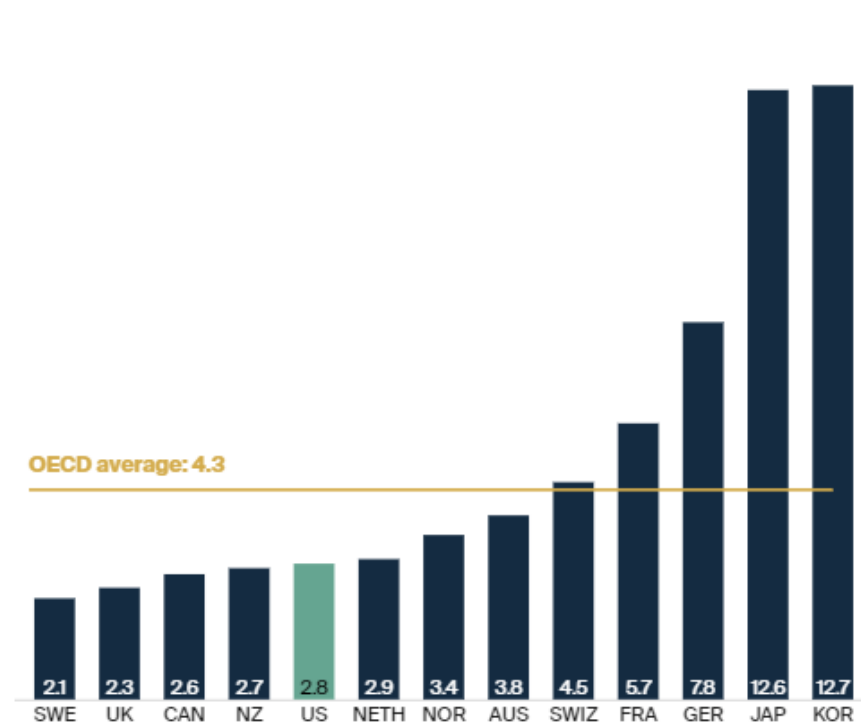


Notes: Data reflect average length of stay for inpatient care for all hospitals. 2021 data for NOR; 2020 data for CAN, FRA, GER, KOR, NETH, SWE, and SWIZ. 2019 data for AUS and NZ; 2018 data for UK; 2010 data for US. Data for JPN not available. OECD average reflects the average of 36 OECD member countries, including ones not shown here, where data are available.

Data: OECD Health Statistics 2022.

Source: Munira Z. Gunja, Evan D. Gumas, and Reginald D. Williams II, *U.S. Health Care from a Global Perspective, 2022: Accelerating Spending, Worsening Outcomes* (Commonwealth Fund, Jan. 2023). <https://doi.org/10.26099/8ejy-yc74>

Number of total hospital beds per 1,000 population














Notes: 2021 data for NZ and UK; 2020 data for CAN, FRA, GER, JPN, KOR, NETH, NOR, SWE, and SWIZ; 2019 data for US; 2016 data for AUS. OECD average reflects the average of 38 OECD member countries, including ones not shown here, with available data.

Data: OECD Health Statistics 2022.

# The U.S. Has the Lowest Life Expectancy Among Large, Wealthy Countries While Far Outspending Them on Health Care

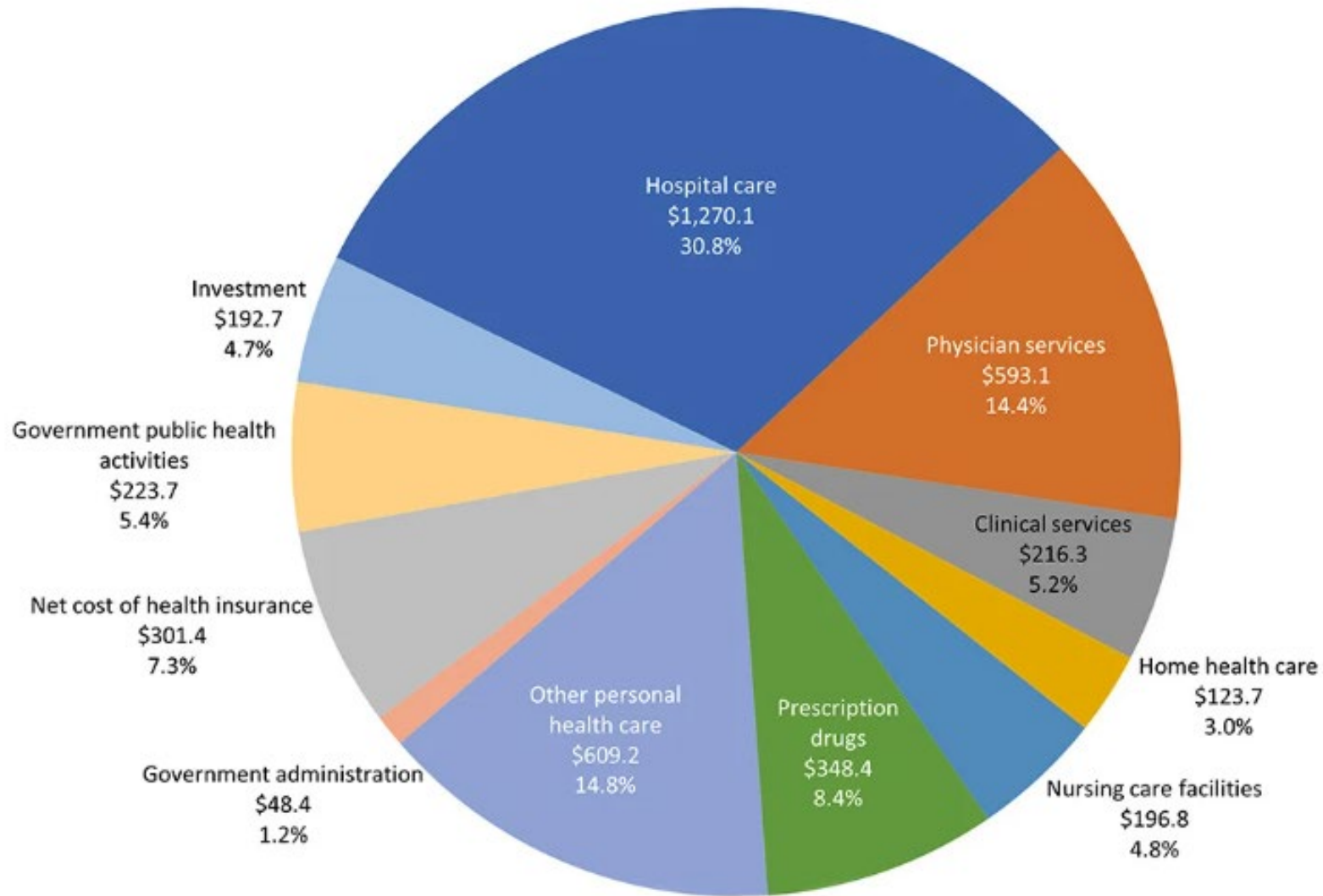
Life expectancy (2021) and per capita healthcare spending (2021 or nearest year)

Country	Life expectancy	Health spending, per capita
 United States	76.1	\$12,318
 United Kingdom	80.8	\$5,387
 Germany	80.9	\$7,383
 Austria	81.3	\$6,693
 Netherlands	81.5	\$6,190
 Belgium	81.9	\$5,274
Comparable Country Average	82.4	\$6,003
 France	82.5	\$5,468
 Sweden	83.2	\$6,262
 Australia	83.4	\$5,627
 Switzerland	84.0	\$7,179
 Japan	84.5	\$4,666

© 2023 KFF  
Health System Tracker

U.S. has lowest life expectancy among its peers. KAISER FAMILY FOUNDATION

## The U.S. spent \$4,124.0 billion on health care in 2020 where did it go?





# Looking Around the Corners: What Might These Trends Mean?



1. In the next year or two, **most** Americans will be on Government-Sponsored healthcare.
  - Currently, 158 Million Americans (out of total population of 330 Million) are covered by Medicare, Medicaid, and subsidized enrollment in state and federal exchanges.
  - Medicaid enrollment surpassed 90 Million in 2022 and will cover more than 100 Million in fiscal 2023 – jumped 30% since 2020!
2. This creates extreme financial pressure for Feds and States.
3. Medicare, pressured by retiring Boomers, predicted to be bankrupt by 2028.
4. 48% of all Medicare enrollees picked Medicare Advantage plans in 2022. Will soon be dominant choice. They are increasingly seduced by predictable annual costs, some more benefits like eyeglasses.

# Looking Around the Corners: What Might These Trends Mean?



5. Everyone -Traditional Insurers; Large Health Systems; and Now, disruptive players like Amazon, Walmart, CVS, Walgreens, Venture Capital, want to get a piece of the Medicare Advantage capitated pie. Cover for PBM Drug Rebate Profits.
6. Implications: Americans are showing that they will **sacrifice choice for some added benefits but mostly for reduced costs.**
  - This is drawing in novel and disruptive large corporate competitors who will further drive corporatization of medicine

# More with less

Workers needed at S&P 500 companies to generate \$1 million in revenue:



Chart: Bradley Saacks/Semafor • Source: Bank of America



# CVS Acquires Oak Street Health for \$10.6 Billion

- CVS and Other Retailers (Walgreens, Amazon) have been looking to expand more into health-care via deals

Modern Healthcare February 8, 2023; Bloomberg January 9, 2023



“Oak Street Health Inc., runs primary care centers for Medicare recipients, ...CVS, a major drugstore operator, has been expanding more directly into health care via acquisitions, agreeing last year to buy Signify Health Inc.”

“CVS, which bought the insurer Aetna in 2018, has said it wants to make health care more convenient and affordable for consumers and has said it plans to partner with doctors or potentially acquire primary care practices.”



# Optum partners with 2nd healthcare system in a matter of days, adding almost 2,000 employees

**January 11, 2023, Becker's Hospital Review**



The agreement to take over Owensboro (Ky.) Health's operations will result in 575 of the healthcare system's employees moving over to Optum in April. The move follows a similar partnership agreed to Jan. 5 with Maine's Northern Light Health involving 1,400 of that system's employees.

"Optum is honored to be working with Owensboro Health to reinvent traditional health care models and systems, improve efficiency and address complex social and economic factors," Dan Schumacher, chief strategy and growth officer of UnitedHealth Group, the parent company of Optum, said in a statement.

# ERs staffed by private equity firms aim to cut costs by hiring fewer doctors

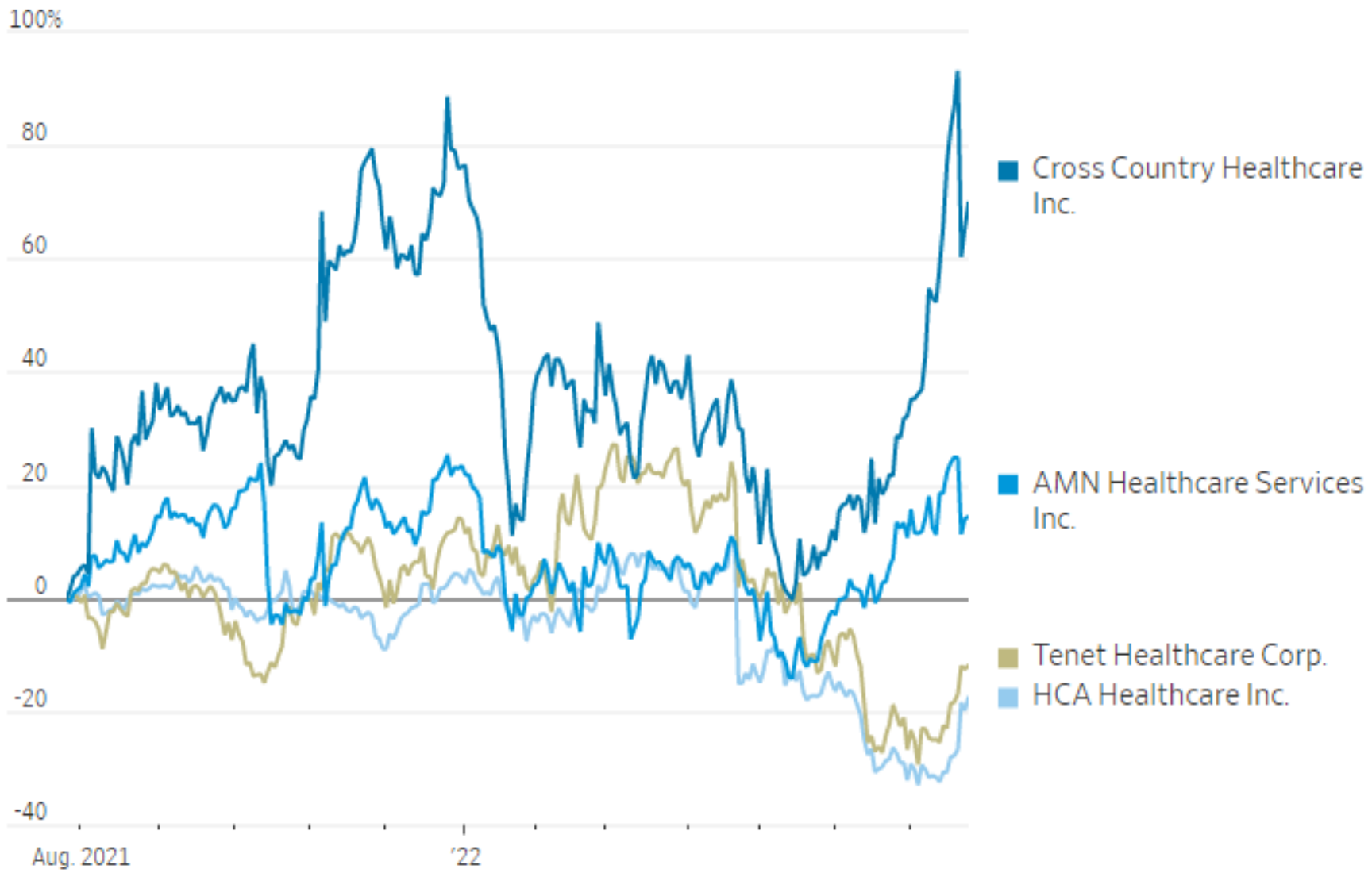
Shots Health News from NPR February 11, 2013

Private equity companies pool money from wealthy investors to buy their way into various industries, often slashing spending and seeking to flip businesses in three to seven years. While this business model is a proven moneymaker on Wall Street, it raises concerns in health care, where critics worry the pressure to turn big profits will influence life-or-death decisions that were once left solely to medical professionals.

"It's a relatively simple equation," Dr. McNamara said. "Their No. 1 expense is the board-certified emergency physician. So they are going to want to keep that expense as low as possible."



## Nurse-staffing companies outperformed hospitals



Source: FactSet

# A Worrisome Drop In The Number Of Young Nurses

Health Affairs, April 13, 2022

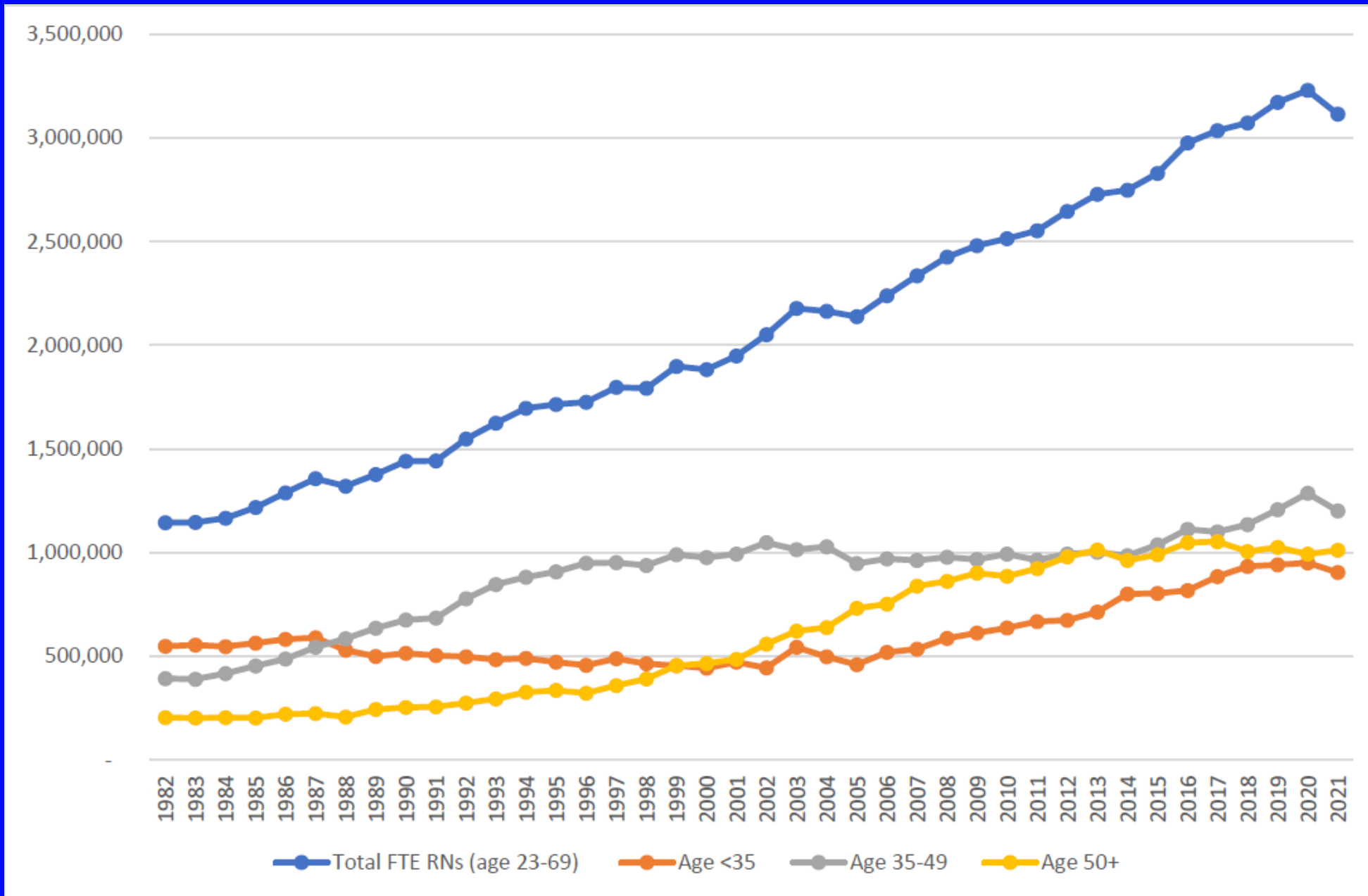
The total supply of RNs decreased by more than 100,000 in one year—a far greater drop than ever observed over the past four decades.

The decrease stemmed not as much from RNs older than age 50 but **rather primarily from younger RNs**. Compared to 2019, just before the pandemic, the total workforce size decreased 1.8 percent through 2021, which was composed of a 4.0 percent reduction in the number of RNs younger than age 35, a 0.5 percent reduction in the number of RNs ages 35 to 49, and a 1.0 percent reduction in the number of RNs older than age 50. The overall reduction also varied by employment setting. **The 1.8 percent overall supply reduction was entirely due to a reduction in hospital employment (3.9 percent), which was offset by a 1.6 percent increase in employment in other settings.**

“These reductions are even more striking compared to what we had expected in 2021 for total nursing supply absent the pandemic. For example, our model projected total workforce supply growth of 4.4 percent from 2019 to 2021 rather than the observed reduction of 1.8 percent, a difference of nearly 200,000 (-6.2 percent) RNs from expectations. This differential was even larger, in percentage terms, among RNs younger than age 35 (-8.8 percent, or 80,000 fewer RNs than expected).”



# Number of Registered Nurses (FTEs) in Practice, 1982-2021



# The # 1 Problem Keeping Hospital CEOs up at night

– ACHE February 13, 2023

1. Workforce Challenges (e.g., personnel shortages, specifically RNs).
2. Financial Challenges
3. Behavioral health/addiction issues.
4. Patient Safety and Quality
5. Governmental Mandates
6. Access to Care
7. Patient satisfaction
8. Physician-hospital relations.

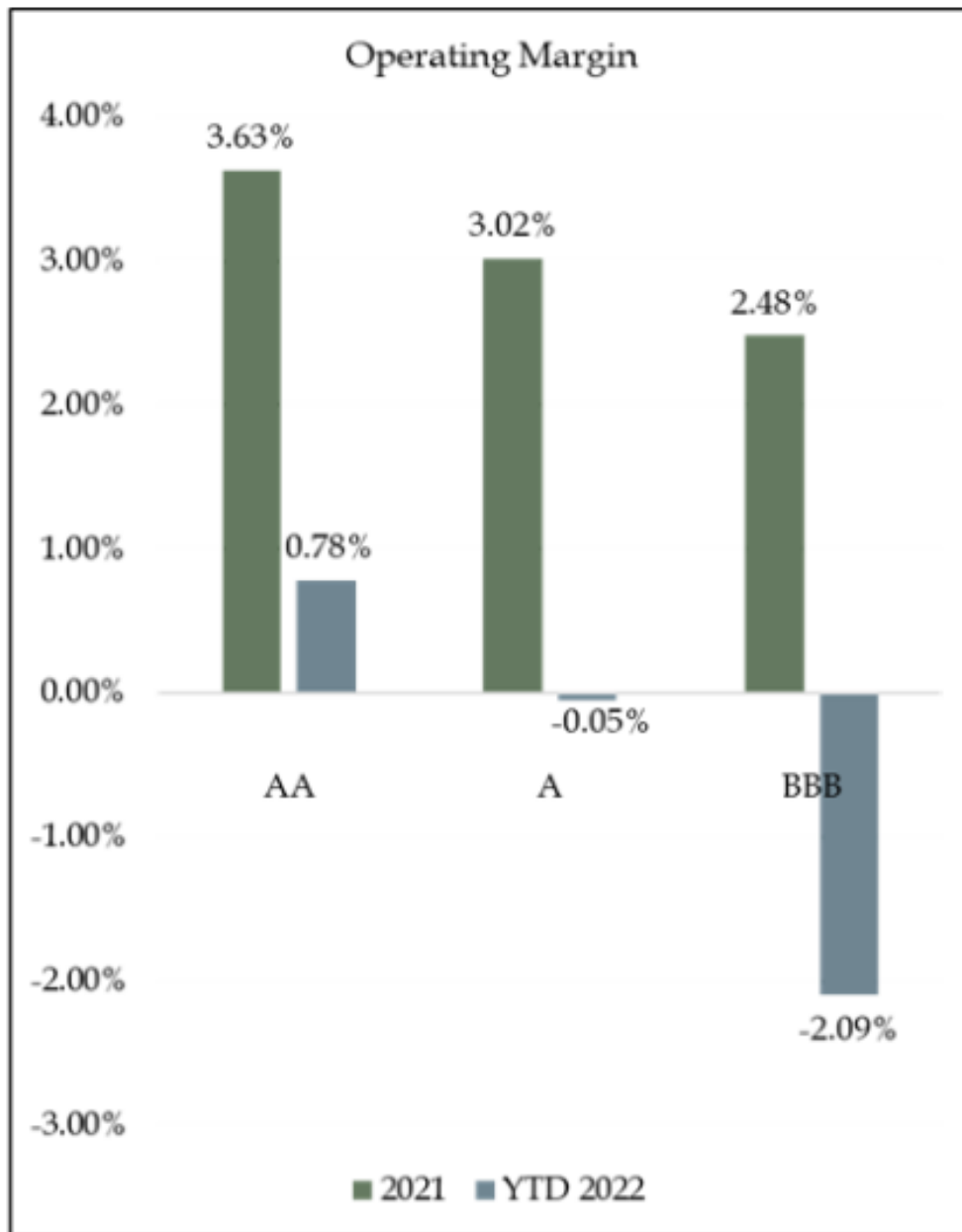


# S&P SLAPS 'NEGATIVE' VIEW ON NOT-FOR-PROFIT HEALTH SECTOR

**DECEMBER 1, 2022**

"Margins and cash flow recently have at best demonstrated limited sustainability of a post-pandemic recovery and at worst have accelerated to uncharacteristically high losses. We do not expect full margin recovery in 2023 and will likely see continued operating losses, albeit at lower levels than 2022, for many institutions. Meaningful improvement will likely take multiple years."

- **S&P Global Ratings credit analyst Suzie Desai**



Source: Fitch's USPF Healthcare: 2022 Mediums webinar, 8/18/2022

Operating pressures show no sign of waning ...and will likely continue for at least another full year in 2023. - Fitch. August 18, 2022, Webinar.

During Fitch Ratings' USPF Healthcare: 2022 Medians webinar on August 18, 2022, they indicated that a *health system's size could help blunt operating losses and minimize fixed costs*. In fact, our research suggests that larger revenue bases correspond with higher ratings, which is consistent between the big three rating agencies (Moody's, S&P and Fitch). Scale also allows systems to reach preferred agreements with payors, lower the cost of borrowing, and de-risk balance sheets through debt profile diversification. In addition, consolidated resources could mitigate balance sheet deterioration if cash flow is weak, allowing providers to execute strategic capital needs and remain competitive. -

Juniper Advisory Services, August 24, 2022



Oh, Really...?



**Cleveland Clinic Reports \$1.1 Billion Net Loss in first half of 2022.**

Becker's Hospital CFO Report August 30, 2022

**Advocate Aurora reports \$600.8M loss in first half of year**

Becker's Hospital Review - August 22nd, 2022

**Mass General Brigham posts \$949M quarterly net loss**

Becker's Hospital CFO Report, August 12th, 2022

**Hospitals Still Struggling With "Skyrocketing" Expenses, Depressed Margins**

HealthLeaders Strategy, July 14, 2022



**Kaiser posts \$4.5 BILLION loss in**

**2022** Becker's Hospital CFO Report, February 11, 2023

# Kaiser posts \$4.5 Billion loss in 2022

Becker's Hospital CFO Report February 11, 2023

Kaiser Permanente had a net loss of \$4.5 Billion in 2022, down from a net income of \$8.1 Billion in 2021. Operating margin dipped from 0.7% to -1.3% from 2021 to 2022. Revenue increased 2.4% to \$95.4 Billion, but Expenses grew 4.5%.

Expense Growth driven by: increased volume, inflation in goods and services, rising labor costs.



# Record Profits in 2022 for Big Payers

Becker's Hospital Review February 12, 2023.



1. UnitedHealth Group: \$20.6 Billion
2. Cigna: \$6.7 Billion
3. Elevance Health \$6 Billion
4. CVS Health: \$4.2 Billion
5. Humana: \$2.8 Billion
6. Centene: \$1.2 Billion

# What's Wrong with This Picture?

More Than Half of US Hospitals  
Lost Money in 2022

Bloomberg September 15, 2022



Soaring stock prices due to record profits  
enabled seven health insurance CEOs to  
rake in a record \$283 M compensation  
last year

Stat May 12, 2022

# The “Coming of the Corporation” to American Medicine, predicted by Paul Starr in The Social Transformation Of American Medicine in 1982

- In 2020, for the first time in history, fewer than 50% of American Physicians worked in physician-owned settings. Hospitals employed more than 300,000; and corporations employed another 122,000. These corporations included health insurance companies, national pharmacies, and increasingly, private equity and venture capital backed companies.
- Optum Health, a subsidiary of UnitedHealth Group, employs or has full time contracts for 60,000 physicians.

# Jeff Goldsmith: In addition to pressures to contain medical expenses, three factors drive the decline of independent practice of medicine

1. Many Baby Boom Physicians chose employment as a bridge to retirement. Trading professional independence for income security and a hoped-for saner work schedule.
2. Growing Number of Female Physicians. Trading independence for the work-life balance enabling them to start and raise families.
3. The Growing and Crushing Burden of College and Medical School Debt made the risks of independent practice untenable. Trading independence for economic stability.



# From the Corporate Perspective: Why Employ Physicians?

1. Hospitals: Defensive Play – protect physician base to increase/maintain/rebuild admissions for highly reimbursed surgeries and procedures, Imaging.  
Strategic Play – Build Primary Care Base to push into Value Based Care.
2. Insurers: Strategic Play – Disintermediate Hospitals, manage risk, VBC, Medicare Advantage.
3. Private Equity and Venture Capital: Monetization Play -

# PATIENTS FOR PROFIT: HOW PRIVATE EQUITY HIJACKED HEALTH CARE

## More Orthopedic Physicians Sell Out to Private Equity Firms, Raising Alarms About Costs and Quality

By Harris Meyer

JANUARY 6, 2023 KHN



“The worry we have is we’re not seeing private equity fulfilling the promise of value-based care,” said Alan Gilbert, vice president for policy at the Purchaser Business Group on Health, which represents nearly 40 large private and public employers. “We’re seeing the same short-term financial goals you see with other private equity investments, including pressure to perform non-indicated procedures.”

# PATIENTS FOR PROFIT: HOW PRIVATE EQUITY HIJACKED HEALTH CARE

## *More Orthopedic Physicians Sell Out to Private Equity Firms, Raising Alarms About Costs and Quality*

“Private equity has no interest in reducing the cost of medicine,” said Dr. Louis Levitt, chief medical officer of MedVanta, a Maryland orthopedic management company whose physician-owners have rejected partnering with private equity. “Their goal is to increase profitability in three to five years and sell to the next group that comes along. They can only do it by making the doctors work longer and reduce service delivery.”

# The Coming Collapse of the U.S. Health Care System

TIME

January 10, 2023



# The US's healthcare system discourages people from getting care, new study says

Affordability and lack of universal coverage is a major factor.

BY LAURA BAISAS | PUBLISHED FEB 2, 2023 3:00 PM

Popular Science  
February 2, 2023



Chicago Tribune. January 27, 2023



Priscilla Velazco keeps a watchful eye on her 16-month-old daughter, Emilia Zarazua, at Loma Linda University Children's Hospital on Dec. 28 in California. Emilia fell ill with respiratory syncytial virus, or RSV. FRANCINE ORR/LOS ANGELES TIMES

## 'Tripledemic' reveals a broken child care system

By Lahari Vuppaladhiam

ous respiratory infection can there-  
fore have long-term ramifications on

to lose, and when they get sick them-  
selves, they often do not have an option

care are just two possible long-term  
solutions to the dilemma. Home-based



## 'Hospital purgatory': Confidence in healthcare plunges as criticism grows louder and larger

Becker's Hospital Review- Updated Monday, February 6th, 2023

U.S. Healthcare received a “D” of “F” rating from 78% of U.S. Adults across all income groups.

Gallup Poll – August 2022

## 'Patients are going to die': Hospital access meltdown in Central California leaves officials in search of solutions

Becker's Hospital Review January 19, 2023

## Hospital monopolies are destroying healthcare value

The Hill December 21, 2022

## When Hospitals Merge, Patients Suffer

Vox January 20, 2023



## A worrisome trend in American hospitals is hurting poor patients

When public hospitals are taken over by private companies, people on Medicaid are left worse off. Vox January 13, 2023

**To Recap: The crisis was caused by an unprecedented and unpredictable confluence of pandemic related factors combined with sharp reversals of broader economic trends. These factors included:**

- Workforce Shortages
- Skyrocketing Labor Costs
- Declining Revenues
- Declining Physician Reimbursement (Surgeons Took the Big Hits Recently)
- Disruptive Competition Accelerated by the Pandemic
- Persistent Supply Chain Disruptions and Shortages
- The Politicization of Covid, and Health Care
- Significant General Inflation
- Higher Interest Rates
- Volatility in Capital Markets
- War in Ukraine Distracting the Feds
- Years of Cost Pressure, Payment Reductions, Disruptive Competition

# And Rural Hospitals?



Rural hospitals account for about 35% of all hospitals operating in the US, with about 1,796 nationwide in 2020. The hospitals are the main source of care and oftentimes employment for about one in five Americans.

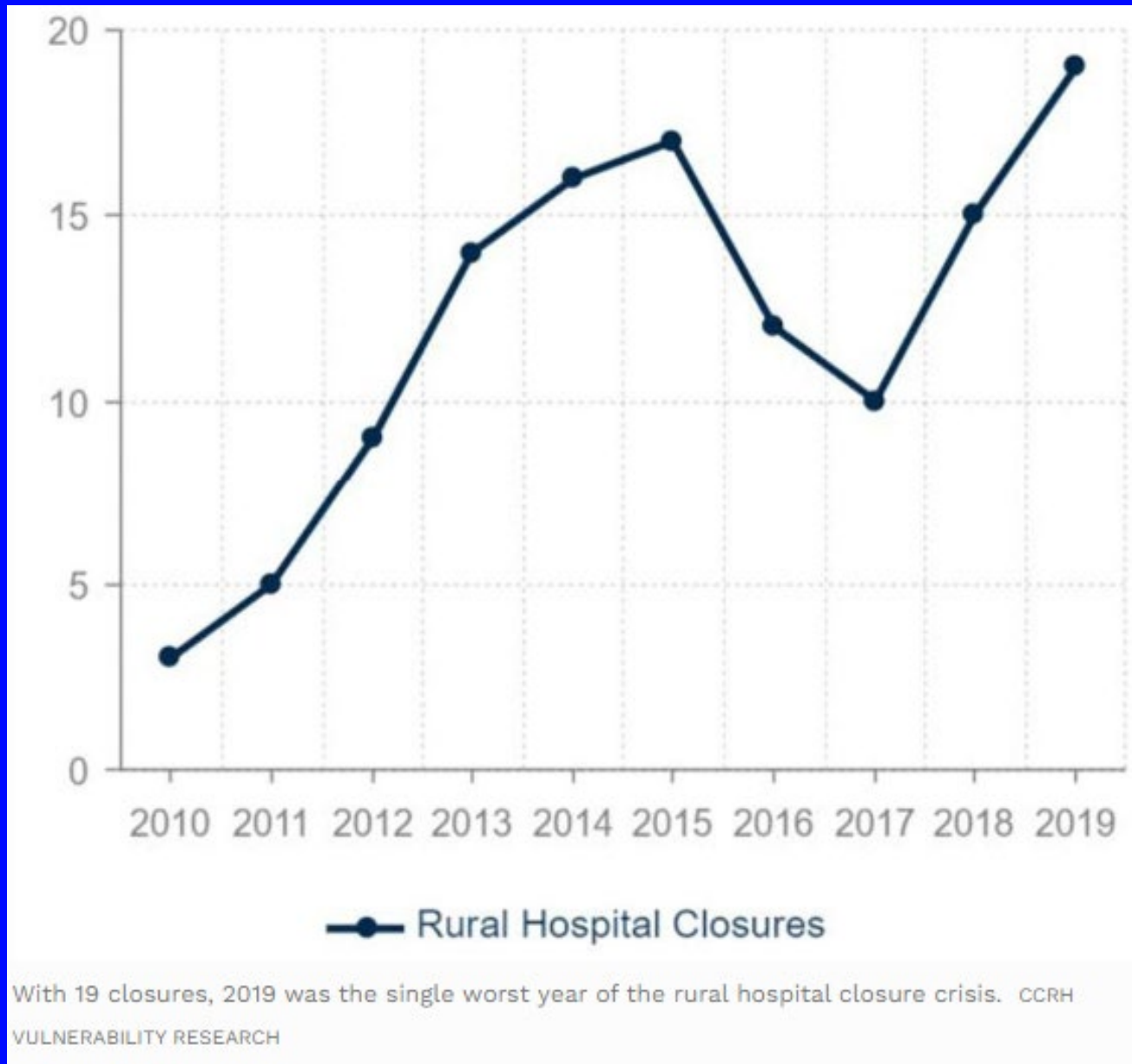
About 47% of rural hospitals have 25 or fewer beds, with just 16% having more than 100 beds. Given that rural hospitals tend to be much smaller, patients with higher acuity often travel or are referred to larger hospitals nearby. As a result, in rural hospitals, the acute care occupancy rate (37%) is less than two thirds of their urban counterparts (62%).

# Rural hospitals face 'precarious' outlook as expenses climb

HealthcareDive September 12, 2022

- Escalating costs for labor, drugs, supplies and equipment are adding to the long-term pressures facing rural hospitals, raising the risk of more closures
- Many hospitals were already in difficult financial positions before the COVID-19 pandemic began, due to challenges including low patient volume and reimbursement, geographic isolation, staffing shortages and aging infrastructure
- Rural hospitals were partially buoyed by the Provider Relief Fund and other sources of COVID-19 assistance that limited closures in 2021, the financial outlook for many rural hospitals moving forward is precarious

## Pre-Pandemic Picture: Rural Hospital Closures 2010 - 2019





# The Picture of Rural Hospital Instability February 2023

- Since 2010, 143 rural hospitals have closed. 180 have closed since 2005.
- 19 rural hospitals closed in 2020, a record . Only 2 closed in 2021 and 7 in 2022 due to Pandemic Related Government Funding. Those programs have ended, and rural closures will almost certainly accelerate.
- About 450 rural hospitals are in immediate danger of closing. States with the highest number of rural hospitals at risk of closure:  
**Kansas, Wyoming, Tennessee, Florida, Texas, Missouri, Mississippi.**
- Kansas has 102 rural hospitals (second most in the US), and 79% of them are in the red with a Median Operating Margin of -6.8%.
- 78% of Wyoming rural hospitals are in the red.

# The Picture of Rural Hospital Instability February 2023

- 43% of rural hospitals are operating in the red nationally. 51% of rural facilities located in Non-Medicaid expansion states are in the red, compared to 39% of rural hospitals in the red in expansion states.
- The number of rural hospitals eliminating OB increased by 9% from 2019 to 2020 (from 198 to 217) and the number of facilities no longer providing chemotherapy jumped from 311 to 353.
- 56% of Rural Hospitals have up to 5 open bedside nursing positions, and nearly 20% reported that staffing shortages are resulting in the suspension of services.
- Of the 389 rural hospitals "most likely" to consider converting to Rural Emergency Hospital (REH), Chartis' data model has identified only 77 ideal candidates for conversion.

Compared to their non-rural counterparts, a significantly higher percentage of rural hospitals are owned by state and local governments — 35% compared to just 13% of urban hospitals.

There are About 630 public, district, county or state-owned rural hospitals in the US.

# Some Rural Hospitals Are in Such Bad Shape, Local Governments Are Practically Giving Them Away

NPR Nashville Public Radio August 18, 2022



The local governments that own these facilities are finding that remarkably few companies — with any level of experience — are interested in buying them. And those that are willing don't want to pay much, if anything.

“When you're on the ropes or even got your head under water, it's really difficult to negotiate with any terms of strength,” said Michael Topchik, director of the Chartis Center for Rural Health, which tracks distressed rural hospitals closely. “And so you, oftentimes, are choosing whoever is willing to choose you.”

At this point, large health systems have acquired or affiliated with the hospitals that have the fewest problems, Topchik said. And what's left has been picked over by operators, some of which have gotten in trouble with insurers and even law enforcement for shady billing practices.

# Some Rural Hospitals Are in Such Bad Shape, Local Governments Are Practically Giving Them Away

NPR Nashville Public Radio August 18, 2022

“We had no business being in the hospital business,” Mayor James Bridges said. “The majority of county governments do not have the expertise and the education and knowledge that it takes to run health care facilities in 2022.” –  
Mayor in Houston County, TN.



# Chicago Tribune



QUESTIONS? CALL 1-800-TRIBUNE

TUESDAY, NOVEMBER 29, 2022

BREAKING NEWS AT CHICAGOTRIBUNE.COM

## More than half of hospitals in rural Miss. facing closure

By Michael Goldberg  
Associated Press

JACKSON, Miss. — Over half of Mississippi's rural hospitals are at risk of closing immediately or in the near future, according to the state's leading public health official.

Dr. Daniel Edney, the state health officer, spoke to state senators at a hearing last week about the financial pressure on Mississippi hospitals. Edney said 54% of the state's rural hospitals — 38 — could close.

Rural hospitals were under economic strain before the COVID-19 pandemic, and the problems have worsened as costs to provide care have increased. Mississippi's high number of low-income uninsured people means hospitals are on the hook for more uncompensated care. At the same time, labor costs weigh on hospitals as they struggle to pay competitive wages to retain staff.

"The costs on an income statement for a hospital have skyrocketed," said Scott Christensen, chair of the Mississippi Hospital Association Board of Governors. "The liabilities on the balance sheets of

hospitals around the state have reached some unsustainable levels given what we face."

The crux of the problem facing Mississippi's hospitals is that revenues have not kept pace with rising costs, Christensen said.

The strain is most acute in Mississippi's Delta region, an agricultural flatland where poverty remains entrenched. Greenwood Leflore Hospital has been cutting costs by reducing services and shrinking its workforce for months. But the medical facility hasn't been able to stave off the risk of imminent closure. Hospital leaders say they will be out of business before the end of the year without a cash infusion.

At Greenwood Leflore and other hospitals across the state, maternity care units have been on the chopping block. Mississippi already has the nation's highest fetal mortality rate, highest infant mortality rate and highest preterm birth rate, and is among the worst states for maternal mortality.

About 60% of births in Mississippi in 2020 were financed by Medicaid, according to the Kaiser

Family Foundation.

A rising number of health care deserts are emerging in the Delta, but financial pressures are bearing down on hospitals in more prosperous areas of the state as well, experts at the hearing said. But hospitals in poor communities often treat patients who don't have insurance and can't afford to pay for care out of pocket. An expansion of Medicaid coverage would reduce costs that result from uncompensated care.

Gov. Tate Reeves and other Republican leaders have killed proposals to expand Medicaid, which primarily covers low-income workers whose jobs don't provide private health insurance. Opponents of expansion say they don't want to encourage reliance on government help for people who don't need it.

As a near-term solution, the Mississippi Hospital Association has suggested the state's Division of Medicaid work with federal officials to raise the Medicaid reimbursement rate cap. The move would lower the cost of providing care for people who are already covered under the state's current Medicaid plan.





# Mississippi weighs easing restrictions on public hospitals

AP News February 3, 2023

The Mississippi Senate voted Friday to ease some restrictions on community-owned hospitals by letting them consolidate or collaborate with health care facilities outside their current service areas.

“There’s all sorts of barriers that we’re trying to eliminate to allow these hospitals to have as much flexibility as they can in order survive and thrive,” Sen. Fillingane said.

Under current state law, government-owned community hospitals are not allowed to operate outside of service areas that are established when they first open, he said. Those areas are typically restricted by city or county boundaries, or slightly beyond. Removing some barriers would allow those hospitals to consolidate or to work together by sharing some business functions....

54% of Mississippi’s rural hospitals are at risk of closure because of financial pressure.

Chartis Center for Rural Health Says :“Government Control Status: Having – or securing – government control status opens doors for additional funding and access to resources”

Jamie Says:

If you love me let me know.

If you Don't

Let me Go!

# What Will it Take to Keep Rural Hospitals Open?

## Center for Healthcare Quality and Payment Reform

A common myth about rural hospitals is that most of their patients are on Medicare and Medicaid. In fact, about half of the services at the average rural hospital are delivered to patients with private insurance (including both employer sponsored insurance and Medicare Advantage plans). Low margins or losses on patients with private insurance, combined with losses on Medicaid and uninsured patients, can force small rural hospitals to close.

### Commonly Proposed Solutions Won't Prevent Most Closures

- Rural Emergency Hospitals
- Expanding Medicaid Eligibility.
- Increasing Medicare Payments
- Creating Global Budgets

[www.CHQPR.org](http://www.CHQPR.org)

[RuralHospitals.org](http://RuralHospitals.org)

[https://www.healthleadersmedia.com/finance/what-will-it-take-keep-rural-hospitals-open?utm\\_source=HLcNL&utm\\_medium=email&utm\\_campaign=HLBriefing](https://www.healthleadersmedia.com/finance/what-will-it-take-keep-rural-hospitals-open?utm_source=HLcNL&utm_medium=email&utm_campaign=HLBriefing)

# What Will it Take to Keep Rural Hospitals Open?

## Center for Healthcare Quality and Payment Reform

The only way to prevent rural hospital closures is for health insurance plans to pay rural hospitals adequately to cover the cost of delivering essential services in their communities. Although most payers are underpaying small rural hospitals, the biggest cause of negative margins in most small rural hospitals in most states is low payments from private insurance plans and Medicare Advantage plans.

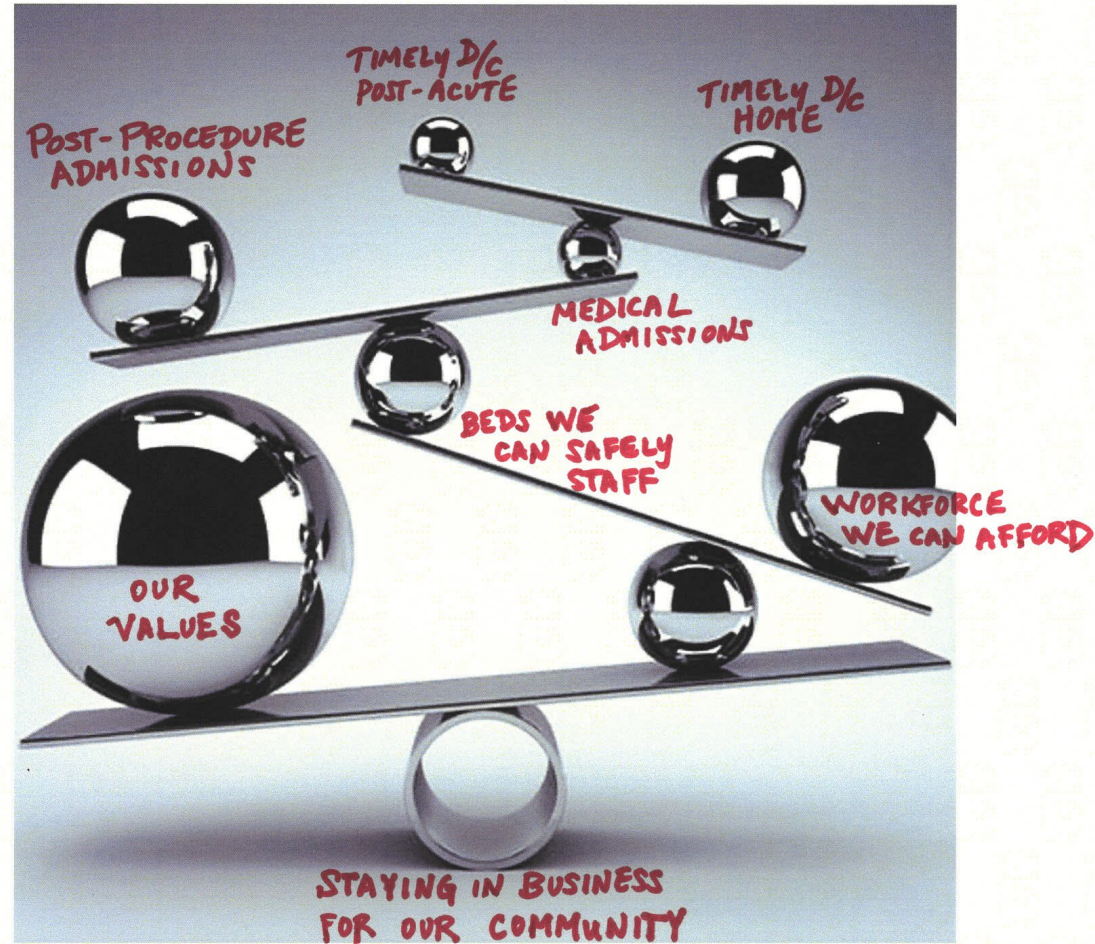
[www.CHQPR.org](http://www.CHQPR.org)

[RuralHospitals.org](http://RuralHospitals.org)

[https://www.healthleadersmedia.com/finance/what-will-it-take-keep-rural-hospitals-open?utm\\_source=HLcNL&utm\\_medium=email&utm\\_campaign=HLBriefing](https://www.healthleadersmedia.com/finance/what-will-it-take-keep-rural-hospitals-open?utm_source=HLcNL&utm_medium=email&utm_campaign=HLBriefing)

# The Governance Balancing Act:

Complicated interdependencies; Resistance to adaptive change; Messaging to caregivers & public



3/17  
JC

Thanks to Joan Ching, VP Chief Nursing Executive, St. Charles Health System.

# From Stability to Sustainability: The New Role of the Board in Overseeing a Financial Turnaround

- Expense Reduction via Layoffs
- Its all about Commercial Rates. Push the Payers!!
- Identify Underperforming Services and Facilities and Close Them
- Ask About and OPTIMIZE the Revenue Cycle
- De-emphasize Money Losers and Emphasize Money Makers
- Have Accurate Assessment of Capacity and Focus on the “Back Door”
- Focus on Philanthropy
- Drive a change in the Hospital Narrative in your Community!  
Take on the Payers!!



# Wait, Wait... What About Micro-Management?!

Recovery to financial sustainability will be a long, painful process for many hospitals and health care systems; for many others this is nothing less than an existential crisis.

Because of this, boards must become more involved in the oversight of the financial turnaround of their organizations than they did in past periods of lessor financial challenge. This may involve a board monitoring levels of detail that would have previously been inappropriate. **But, when a hospital or system is facing an existential threat, it becomes a governance issue, and it is appropriate and necessary for a board to engage more deeply than it did in the past.**

Signs A New Model of  
Governance is Emerging!

# Implicit Components of the Traditional Model

- Community based governance
- Voluntary (uncompensated) trustees
- Minimal-to-manageable time commitments
- Lack of standardized or mandatory training

# Implicit Components of the Traditional Model

- Diffuse and variable accountability of both boards and their members
- Long tenured board members and leaders
- A tolerance for conflicts of interest on the board in service of community relationships
- Others?



American Hospital  
Association™

*Advancing Health in America*

# ***2022 National Health Care Governance Survey Report***



 American Hospital  
Association™  
*Advancing Health in America*

## 2022 National Health Care Governance Survey Report

 AHA Trustee Services

Board Compensation  
DOUBLED since 2018!  
Especially in System Boards.

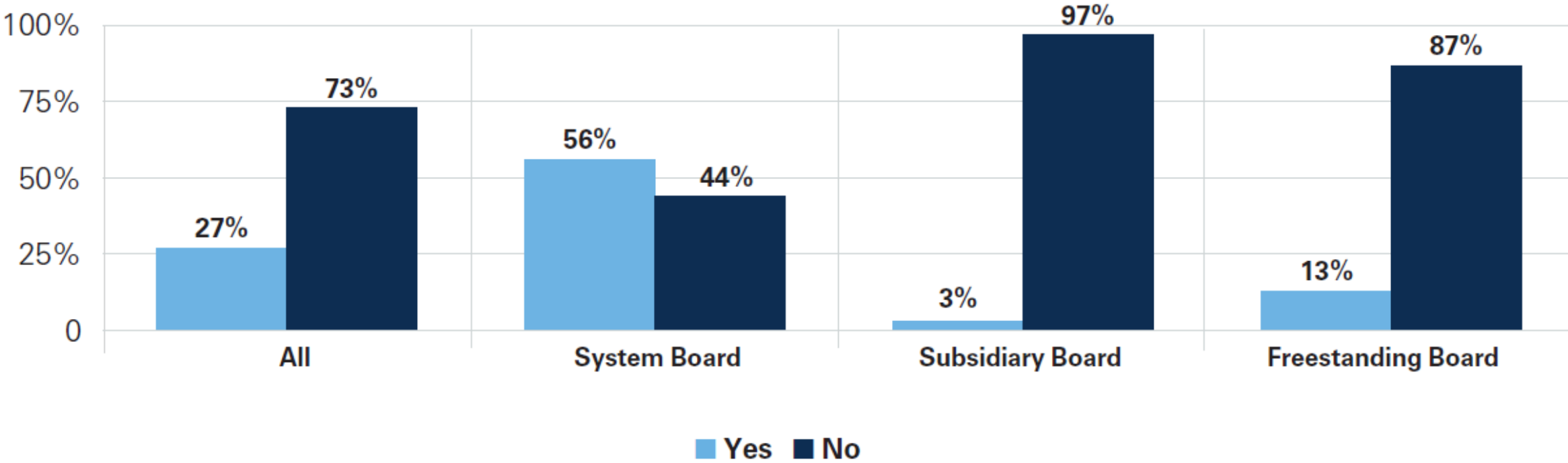


The Overall Percentage of Boards that Compensate Their Members was 27% in 2022, Compared to 13% in 2018, and 10% in 2014.

56% of System Boards Compensated their Board Members in 2022.

Figure 4.4 Board Member Compensation

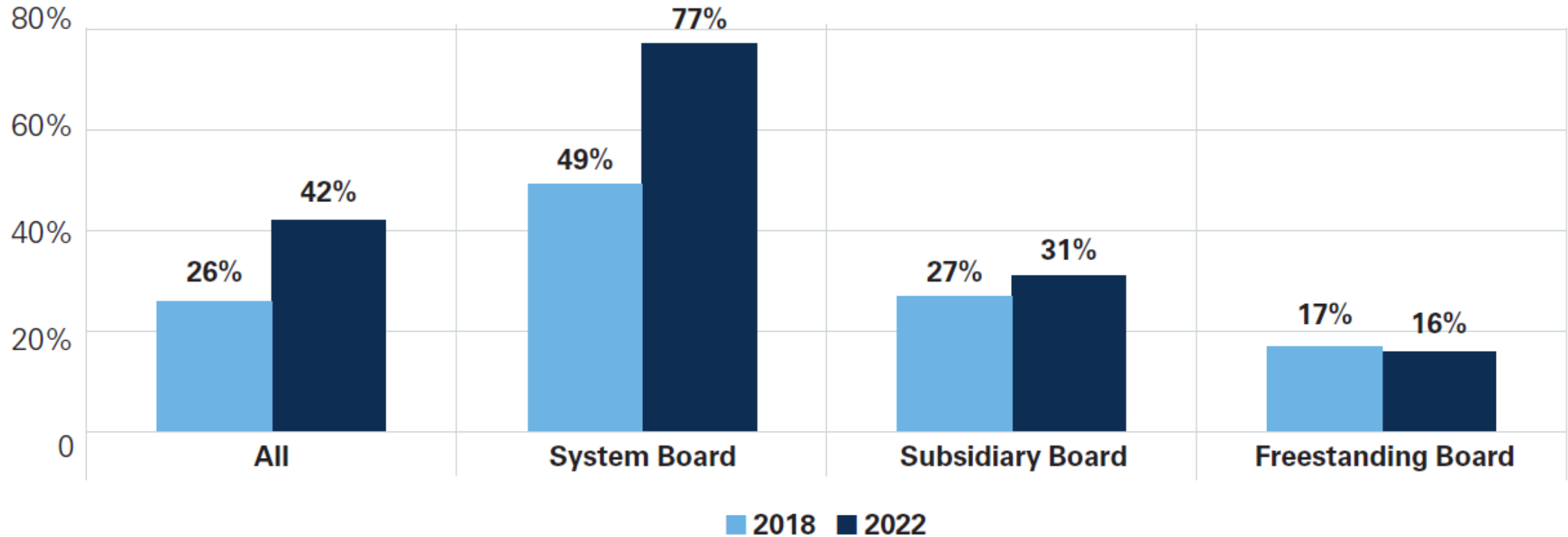
Do you compensate board members excluding reimbursement for out-of-pocket expenses?



2014 Average all respondents = 10%  
2018 Average all respondents = 13%  
2022 Average all respondents = 27%

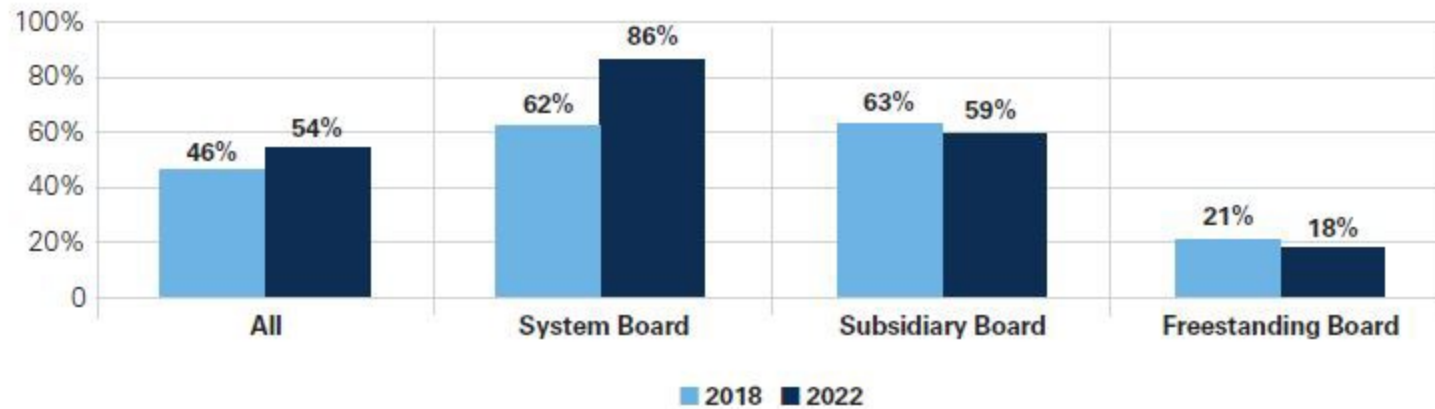
**Figure 2.7 Outside Board Members**

**Does your board include members from outside your organization's service area who are not representatives of sponsoring organizations or other system entities?**



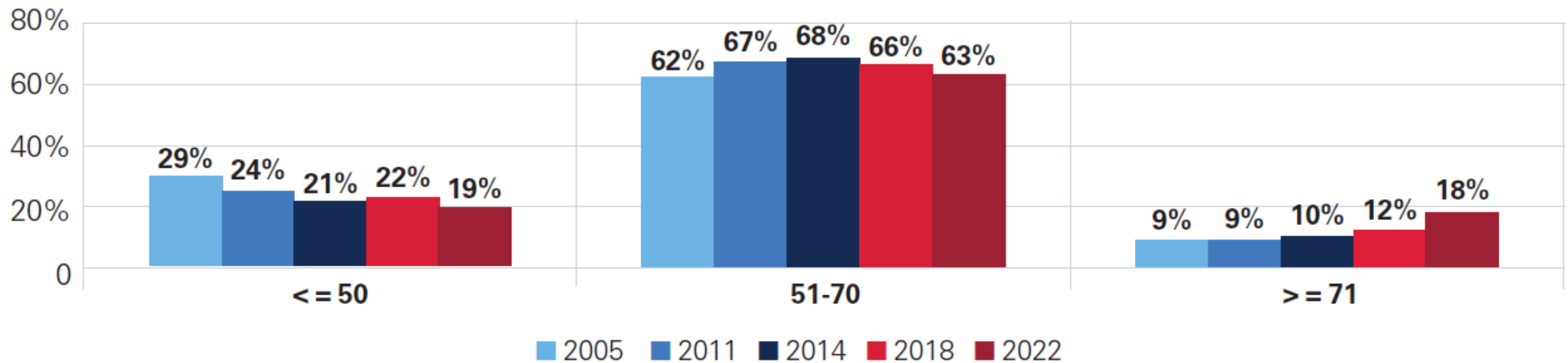
# CEO as a Voting Board Member

Figure 2.4 CEO as a Voting Board Member



- The percentage of boards with members aged 50 or younger (19%) continued to decline compared to 2018 (22%), 2014 (21%), 2011 (24%) and 2005 (29%).
- In 2022, boards overall had a higher percentage of members age 71 or older (18%) than did boards in 2018 (12%), 2014 (10%), 2011 and 2005 at 9% each.

Figure 3.4 Board Age

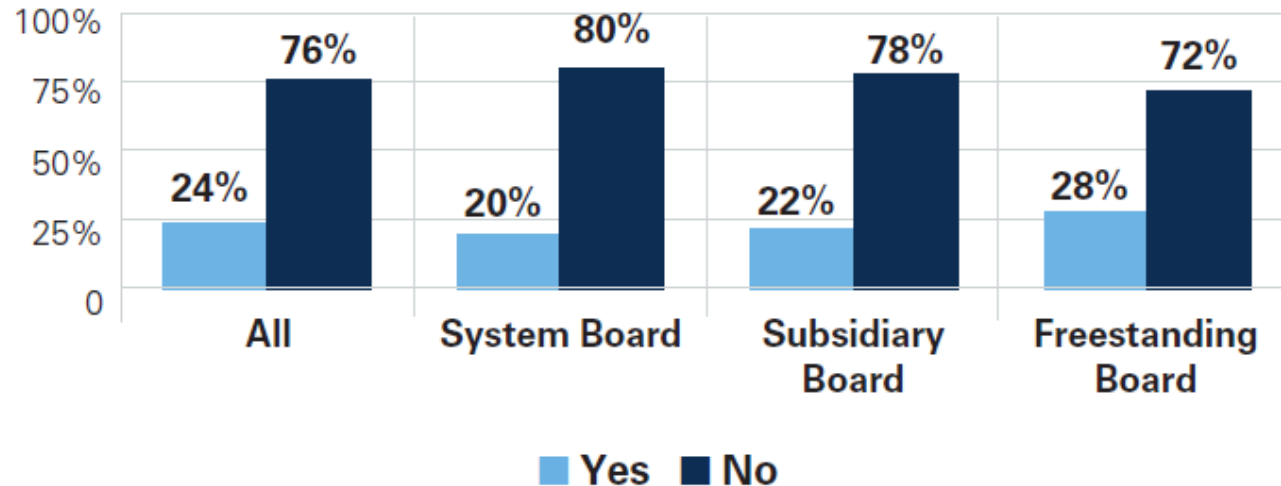


# 2022 National Health Care Governance Survey Report – AHA Trustee Services

- Some 76% of 2022 survey respondents overall reported that no board member had been replaced or not been re-appointed when eligible over the past three years (Figure 5.5). That percentage remains unchanged from 2018 data (Figure 5.6).

### Figure 5.5 Board Member Replacement in Past 3 Years

Has any board member been replaced during their term or not been reappointed or re-elected when eligible for renomination in the past 3 years?



### Figure 5.6 Board Member Replacement in Past 3 Years by Year

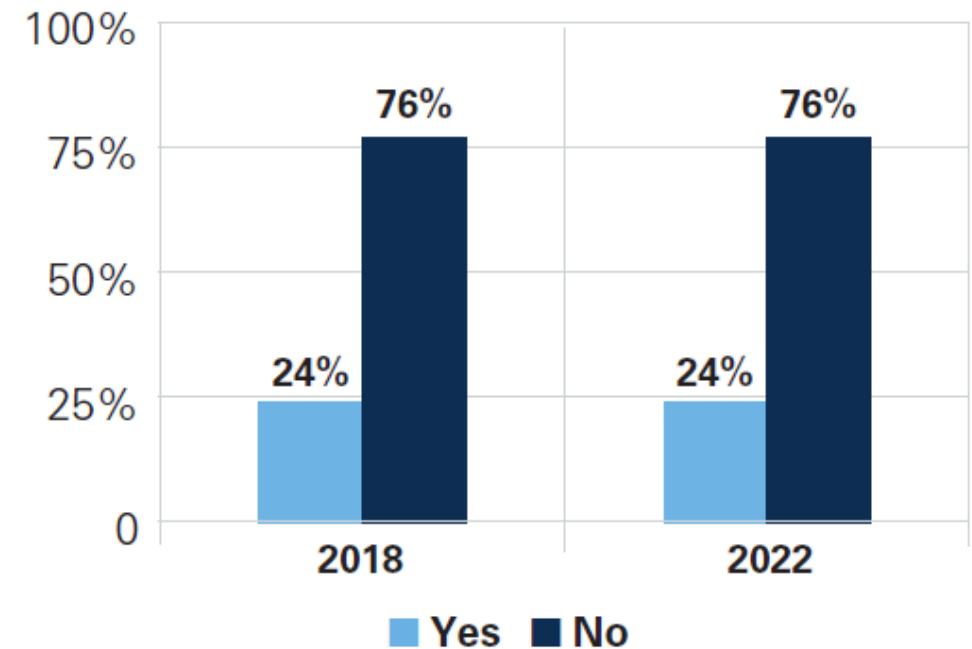
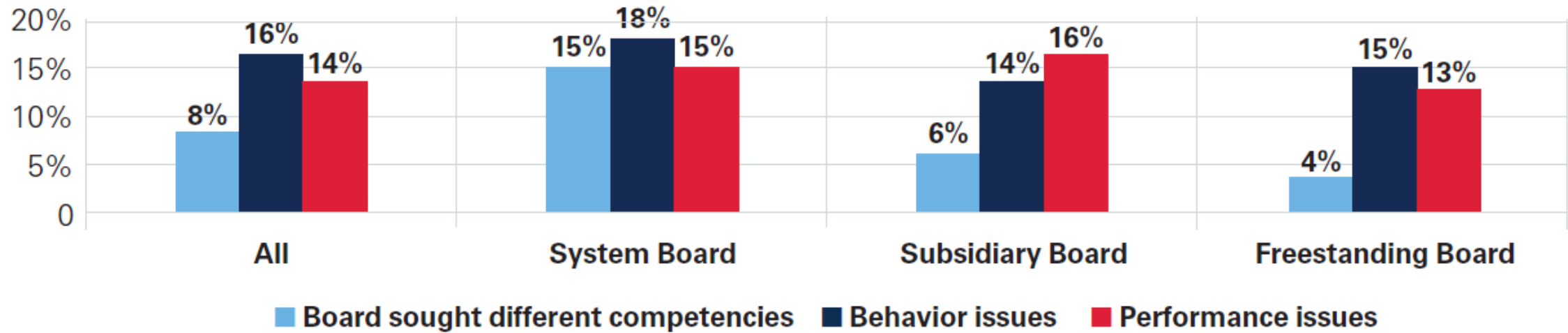




Figure 5.7 Reasons for Board Member Replacement







The Wizard of Oz (1939)