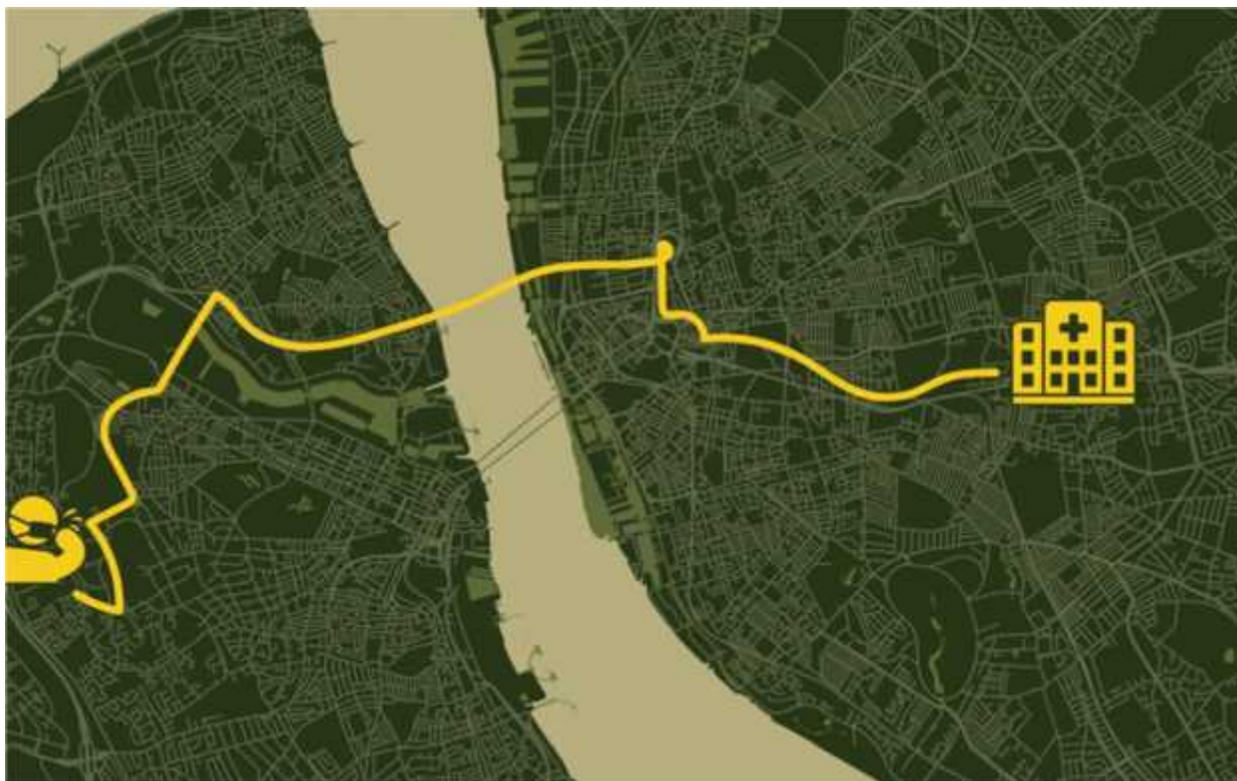


# Exclusive: Impact of Closures and Mergers on Rural Hospitals

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By Tami Kamin Meyer

According to an [American Hospital Association](#) survey released earlier in 2022, there were 1,796 rural hospitals in 2020. There were near double that number of hospitals, 3,343, in urban areas of the United States.

But that was then.

“There has been a slowdown by private equity and for-profit systems in rural hospitals in 2022,” says Mark Toney, founding member and Senior Marketing Manager of [ToneyKorf Partners, LLC](#). The company, which began in 2012, is an advisory and management firm specializing in assisting healthcare organizations to address complex situations.

<https://healthcareservicesinvestmentnews.com/2022/08/26/exclusive-impact-of-closures-and-mergers-on-rural-hospitals/>

## By the numbers

Toney estimates that over 140 rural hospitals have closed over the last 12 years, an average of 10-15 annually.

“That means in many communities, there is no hospital, so people have to travel long distances to seek urgent care or the ER. That can spell the difference between life and death,” said Toney.

Thomas Ferry, president and chief executive officer of [Engooden Health](#), which offers chronic care management services, agrees.

“There are a lot of challenges in the healthcare system and consolidating hospitals makes owners financially richer but has a negative impact on the local citizenry. When we see resources being eliminated, it impacts a patient’s ability to receive care,” says Ferry.

## Challenges faced by rural hospitals

Hospitals in rural America grapple with challenges unique to their status that urban facilities don’t usually experience.

Those difficulties include:

- ) Limited resources
- ) Understaffing
- ) A lower quality of care
- ) Outdated facilities
- ) Fewer medical specialists, limiting the availability of services

In Toney’s estimation, the degraded situation in rural hospitals “impacts every aspect of healthcare in the community.”

Certainly, the pandemic inflicted even more damage on the rural healthcare system than just those challenges. According to Ferry, the “biggest impact of the pandemic is

from the human resources perspective. People are overwhelmed and have left the industry. That means there are fewer people to serve the citizenry and assist the population.”

Says Toney, “Rural and community hospitals were financially challenged during the pandemic and were just managing COVID patients. They weren’t offering specialty services, which is where they make their money.”

That makes those facilities all the more ripe for takeover.

“Organizations in better financial situations are likely looking to buy (financially bleeding medical facilities) because their values would be depressed,” says Toney.

### **Impact of M&A and closure of rural hospitals**

The diminishing number of healthcare facilities in rural areas across the United States leaves a huge void in the system.

Among the by-products of mergers, acquisitions and closures of rural hospitals historically include:

- ) Increased costs
- ) Decrease in medical specialties available
- ) Fewer hospital beds
- ) Patients must travel longer distances to receive medical care when their community hospital shuts down

According to Ferry, not only do residents in rural areas suffer negatively from those impacts, they also start on unequal footing than do people who live in cities.

“People in those areas often suffer from chronic conditions. They also tend to be sicker. But, without access to healthcare, and add to that the need to overcome obstacles like transportation, location becomes a huge challenge,” he says.

Says Toney, “A rural hospital is a major contributor to the economic well-being of a community.” Fewer businesses are attracted to small communities without appropriate medical facilities, exacerbating an already deteriorating situation.

Rural hospitals also tend to be a major employer in the community or maybe even a region. When a healthcare facility shuts down, employees ranging from doctors to cafeteria staff lose their jobs. Businesses that rely on sales from hospital staffers or visitors lose their income, too. The financial and emotional impact are too much for some to bear and they move away – if possible.

### **Bridging the gap**

Ferry’s Engooden acts as a concierge, so to speak, between a patient and their primary care physician. The services provided by Engooden’s ‘care navigators’ is paid for by Medicaid and Medicare. Engooden is contracted with the Chronic Care Management Program, a government offering under the Center for Medicaid and Medicare Services for patients with two or more chronic conditions.

When a patient is referred to Engooden, a care navigator tries to establish a positive, supportive relationship with them. The goal is for the care navigator to ensure a patient is following their care plan and taking medications as instructed.

The care navigator also acts as a line of communication for the patient to their doctor. “Many patients are disenfranchised and hesitant to open up and share the challenges they face” with their physician, says Ferry. A service like Engooden steps in to assist a patient with “anything non-clinical impacting a patient’s health or standard of living,” he says.

If the need is clinical, a care navigator seeks a facility to provide the patient with medical assistance. But, when rural hospitals merge or close altogether, diminishing access to healthcare in the area, people suffer.

“When we see resources being eliminated, it impacts a patient’s ability to receive care,” says Ferry.

A strong indication of how badly patients need a resource like Engooden is that its bottom line is “growing in the 100% range year-after-year,” says Ferry.

## The stakes

“If someone paid attention to these people, their needs would be lessened,” says Ferry, referring to rural residents impacted by hospital mergers and closures.

While he concedes investing in rural hospitals is a for-profit venture, Toney said it should not be at the expense of people’s health.

The impact of a hospital merger or acquisition depends on how the acquiring “parent” decides to manage the resource, he says. If the new owner ultimately closes the facility, it would only make it more difficult for people to receive the medical care they need.

It’s like a double-edged sword. People who live in the country, Toney said, are “more apt to get sicker and the payor will spend more. If a population is sicker, but facilities close, residents are not going to get the attention and care they need to manage chronic conditions.”

Overcoming this vicious circle has proven to be an insurmountable challenge for some takeover firms trying to make a profit on their investments, while closing a rural hospital is often the worst possible outcome in terms of impact on the community it served.

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