

Why Rural Hospitals Should Start Operating More Like a Medical Clinic to Survive

The model for healthcare delivery is changing, and if rural hospitals don't adapt, then many will disappear altogether.

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Rural hospitals have been closing their doors at a record clip in recent years, losing revenue as patients have opted for larger medical centers, retail clinics and telemedicine to fulfill their healthcare needs. The model for healthcare delivery is changing, and if rural hospitals don't adapt, then certain markets will simply let them disappear altogether.

One of the fundamental causes of this trend is that healthcare delivery is evolving away from inpatient care in favor of more outpatient care, according to Greg Hagood, president at financial advisory firm SOLIC Capital.

With more outpatient care, he said, "You tend not to stay in the hospital as much, so the utility of having a 24/7 bedded hospital is really declining. What rural communities need more of are procedures, but it's difficult to support that kind of volume in rural locations."

Take heart catheterizations, for instance. A facility offering that kind of service needs to be doing a certain volume of those procedures each week in order to justify the costs of retaining the necessary specialists and equipment. Often the volume just isn't there to support those services, essentially resulting in wasteful spending and an inefficient staffing model.

A better way forward for rural hospitals, said Hagood, is to transition into a community clinic or a specialized care facility, which not only retains certain types of services in a given market but provides a more financially sustainable framework. The reason? Such facilities typically are partnered with a larger, regional medical center.

"The regional medical center is going to support the cost of a full hospital," said Hagood. "It will provide support for oncologists, cardiologists and others to come to that facility one day a week. You're able to offer state of the art care. It's on a limited basis, but you can offer the very best."

Not only does that keep the facility open in some capacity, but the partnering medical center benefits as well. After all, it gets all the referrals.

"The whole mentality is it needs to be run like a primary care clinic, not a hospital," said Hagood. "You have more of an ambulatory outpatient part, and you have what goes from a hospital to more of a nursing home or long-term care facility. And if you have 100 beds in a hospital, what do you do with them? You can convert them into long-term stay for people."

Hagood acknowledged that it's a tough transition to make, and may not fully appeal to those who would rather maintain the amenities of a full hospital in more rural settings. But in his view, it's the only option for some of them.

"In this age of healthcare reform and cost consciousness, people are saying, 'We don't want to go to that 34-year-old hospital,'" he added. "You need to make this transition to an alternative model. Economically, it's tough on some of these smaller communities that are already facing outward migration and all of these other things. It's takes a paradigm shift. It's a tough change."

Telemedicine, specifically the ability to consult with a doctor remotely, may also play a role in keeping rural facilities viable. Some smaller, struggling hospitals have already taken this step, while others are dipping in their toes to test the waters.

"Instead of sending you to a regional center to have stroke care, you can read brain waves over telehealth equipment," said Hagood. "A physician in Atlanta, for example, can monitor someone elsewhere in Georgia and determine what drugs need to be prescribed and what steps need to be taken. They can sometimes stabilize and keep those patients. That's a case where you're retaining some use of that hospital. You're monitored by a state-of-the-art neurologist from a different market. It allows you to maintain a broader scope of services at that hospital than you would otherwise."

That has implications not just for the facilities' solvency but for the actual care itself. Many of the people who live in rural communities are elderly, seeking treatments for everything from chronic pain to mild strokes. Even younger patients who may need a dermatologist or other specialist will be seeking out care, and having some sort of facility or clinic in their community mitigates the challenge of seeking quality, affordable care.

But whether these rural hospitals stay open in some shape or form will depend largely on the strengths of the partnerships they develop, said Hagood.

"If you fast forward five or six years, you're going to see a significant reduction in rural hospitals," he said. "The hope is between telehealth and these regional networks, you'll be able to replace quality care in these communities."

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