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Worsening Financial Losses and the Expiration of Federal Aid Could Force Hundreds of Rural Hospitals to Close After the Pandemic Ends

*Adequate payments for rural hospital services are needed
to preserve access to essential health services for residents of rural communities.*

Pittsburgh, PA (April 21, 2022) – Worsening financial losses on delivery of services to patients and the expiration of federal pandemic assistance could cause hundreds of rural hospitals across the country to close their doors, according to a new study from the Center for Healthcare Quality and Payment Reform (CHQPR). *The Impact of the Pandemic on Rural Hospitals* found that during the pandemic, the majority of small rural hospitals lost money delivering services to patients, but they also received millions of dollars in special federal funding that offset those losses. The hospitals' costs are continuing to increase due to inflation and workforce shortages, but the temporary federal aid is ending, so many small rural hospitals will begin experiencing significant financial losses. Unless changes are made so the payments for services cover their costs for providing care, many hospitals could be forced to close and rural residents will lose access to essential services.

The study found that the primary reason for the losses on patient services was inadequate payments from private insurance plans. While Medicare *increased* payments to hospitals during the pandemic to offset higher costs, private payers paid *less* relative to hospitals' costs. Previous analyses by CHQPR found that low payments from private health plans were causing many small rural hospitals to lose money *prior* to the pandemic. The new study shows that these losses worsened during the pandemic. Although hospitals of all sizes experienced lower profit margins on services to patients with private insurance during the pandemic, most urban hospitals and larger rural hospitals continued to make profits on these patients, while most small rural hospitals lost money.

“There are two different types of hospitals in America – large hospitals that make high profits on patients with private insurance, and small rural hospitals that lose money providing care to these patients,” said Harold Miller, President and CEO of CHQPR. “Private insurers are paying too much for services at many large hospitals but they are paying too little to sustain essential services in rural areas. Failure to address this will worsen healthcare disparities in the country.”

CHQPR analyses have shown that the policies currently proposed to help rural hospitals will not solve their problems. “Creating global hospital budgets, eliminating federal sequestration, eliminating inpatient services, and expanding Medicaid will not solve the serious problems facing rural hospitals,” Miller said. “The only way to ensure that residents of small rural communities have access to affordable high quality healthcare is for their health insurance plans to pay adequately for the services delivered by their local hospitals. Rapid action is needed if we are going to prevent more hospital closures from occurring.”

More details on the causes of rural hospital closures and how to address them are available at www.RuralHospitals.org.

The Center for Healthcare Quality and Payment Reform (www.CHQPR.org) is a national policy center that facilitates improvements in healthcare payment and delivery systems. Since its founding in 2008, CHQPR has been a nationally-recognized source of unbiased information and assistance on payment and delivery reform. CHQPR's publications are among the most widely used and highly regarded resources available on alternative payment models and value-based payment systems. CHQPR has provided information and technical assistance to Congress, to federal agencies and national organizations, and to physicians, hospitals, employers, health plans, and government agencies in more than 40 states and other countries to help in the design and implementation of successful payment and delivery system reforms.

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