TrumpCare Threatens Rural Hospitals

Jeopardizes Health of Older Americans and Hurts Rural Economies

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Minority Staff Report

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Rural hospitals play a critical role in ensuring that Americans and their families have access to needed health care services.[1] Given that rural communities tend to be older, rural hospitals are particularly important for older Americans in these communities. Rural hospitals are also often a critical driver of economic activity in the areas in which they are located, serving as an important employer and providing good-paying jobs that inject money into local communities.

TrumpCare, which will cut $834 billion over 10 years from Medicaid and undermine the private health insurance market in rural areas by cutting premium assistance, will hurt rural hospitals. Rural hospitals will face even more difficulty recruiting and retaining health care providers; maintaining hospital day-to-day operations; and supporting their communities' health needs.[2] Rural hospitals are also economic engines in smaller communities, and when they are at-risk so too are the jobs and economic growth they provide in rural areas.

Key Takeaways

- More than 40 percent of rural counties in the U.S. rely on hospitals for more than 10 percent of the employment in the county.
- The health care and social services sector employs 17 percent of all workers in rural counties.
- The average pay of hospital employees in rural counties is 43 percent higher than the average pay of other workers in the same counties.
- Medicaid provides health care coverage to 24 percent – or roughly one in every four – people under age 65 living in rural areas.
- Rural hospitals often have operating margins of less than 1 percent. On average, Medicaid makes up more than 10 percent of net revenue in rural hospitals, and in a number of rural hospitals it makes up 20 percent or more. Deep cuts to Medicaid will threaten the sustainability of these facilities.

Rural Hospitals Provide Access to Critical Services

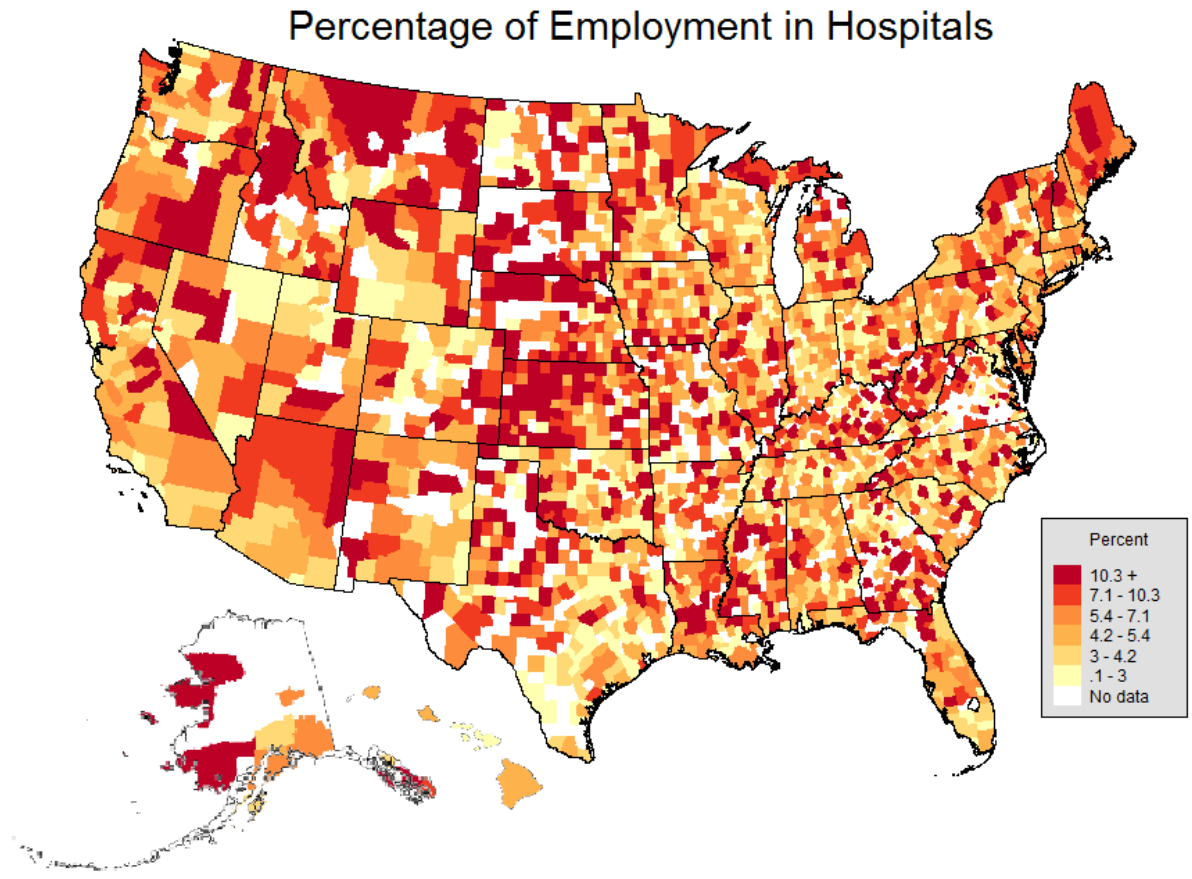
Rural hospitals serve millions of Americans living in rural and remote regions of the country, providing inpatient and outpatient services, emergency care, pharmacy services, laboratory services, and much more. In critical situations, the distance between a patient and the nearest hospital can mean life or death.

Moreover, as rural communities tend to be older and in poorer health than their urban counterparts, these hospitals are often caring for patients with complex conditions. Adults ages

50 and over comprise 36 percent of the rural population.[3] Since older Americans are more likely to be diagnosed with an illness or chronic condition than younger populations, these rural hospitals ensure the timely diagnosis and delivery of services for some of the most vulnerable populations in the country.

Rural Hospitals Support Local Economies

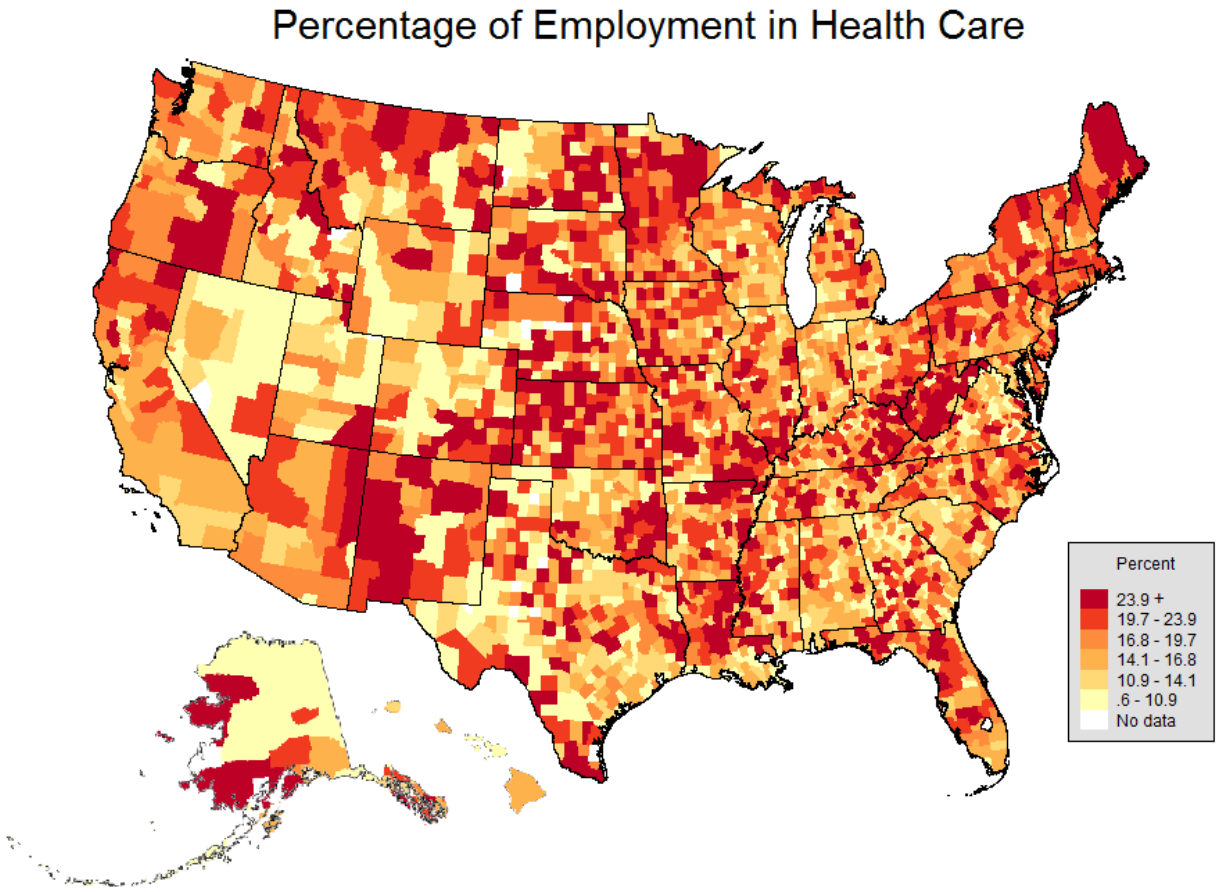
Rural hospitals employ a substantial share of workers in rural counties – areas that have higher unemployment rates on average and where there are often fewer high-skilled employment opportunities.[4] Hospitals employ 6 percent of all employees in rural counties that report having any hospital employment.[5] Approximately 41 percent of such rural counties are reliant on hospitals for more than 10 percent of total county employment.[6]



Data Source: Joint Economic Committee & Senate Aging Committee Democratic Staff Calculations based on the 2015 County Business Patterns.

These hospitals are often at the center of the health care delivery system in rural areas. The health care and social services sector employs 17 percent of all workers in rural counties for which health care employment data are available, meaning that nearly one in every five jobs in these counties is in the health care sector.[7] Approximately 19 percent of rural counties are

reliant on the health care and social services sector for more than 25 percent of total county employment.[8]



Data Source: Joint Economic Committee & Senate Aging Committee Democratic Staff Calculations based on the 2015 County Business Patterns.

Hospitals are also among the better paying employers in many rural communities. The average pay of hospital employees in rural counties is 43 percent higher than the average pay of other workers in the same counties.[9] These higher wages are not only critical to hospital employees and their families, but also to the local economy.

Cutting Medicaid Will Hurt Rural Communities

Medicaid is a critical source of health insurance coverage for the millions of Americans living in rural areas. Rural residents are more likely to be low-income, more likely to be unemployed, and less likely to have private health insurance coverage than their urban counterparts. Medicaid covers 24 percent – or roughly one in every four – people under age 65 living in rural areas.[10] Medicaid also covers a number of low-income seniors who are dual-eligible for both Medicare and Medicaid.[11] Medicaid expansion has been particularly important in rural areas: the

uninsured rate in rural areas of those states that expanded Medicaid has fallen by nearly half (from 16 percent to 9 percent).[12]

As of 2015, Medicaid revenue and related funding that helps hospitals offset the costs of care provided to uninsured and low-income individuals accounted for 12.3 percent of net revenue nationwide for rural hospitals.[13] More than one in every seven rural hospitals rely on Medicaid and related payments for 20 percent or more of their net revenues.[14] A reduction in this funding is a direct threat to care, jobs, and economic sustainability of rural communities. For example, studies have found that increased Medicaid spending resulting from recent state Medicaid expansions created over 39,000 jobs in Michigan, 31,000 in Colorado, and 12,000 in Kentucky.[15]

Cutting federal Medicaid contributions by $834 billion over ten years would have devastating consequences for rural hospitals. On average, rural hospitals are generally in worse financial shape, with smaller operating margins than urban hospitals.[16] Between 2011 and 2014, rural hospitals operating margins were on average only 1 percent in states that expanded Medicaid and -0.2 percent in non-expansion states.[17] Losing Medicaid payments would place enormous pressure on hospitals and the communities they support.

Medicaid Cuts Would Threaten Jobs in Rural Areas

State	Percent of All Workers in Rural Counties Employed by:	
	Hospitals	Health Care Sector
Alabama	4.9	14.0
Alaska	7.1	20.9
Arizona	6.9	19.7
Arkansas	5.2	17.8
California	7.1	18.5
Colorado	4.7	13.4
Connecticut	3.8	20.0
Delaware	5.0	18.1
District of Columbia	N/A	N/A
Florida	5.6	20.1
Georgia	6.6	15.2
Hawaii	4.0	12.7
Idaho	5.4	16.1
Illinois	6.1	18.4
Indiana	4.3	14.5
Iowa	5.3	17.3
Kansas	6.9	19.0
Kentucky	6.5	18.1
Louisiana	6.6	21.0
Maine	7.7	23.1
Maryland	5.0	17.1
Massachusetts	4.4	14.9
Michigan	6.7	17.4
Minnesota	5.5	20.3
Mississippi	6.9	16.8
Missouri	5.9	20.6
Montana	7.1	18.4
Nebraska	6.8	17.1
Nevada	3.7	9.3
New Hampshire	7.3	19.1
New Jersey	N/A	N/A
New Mexico	5.7	19.2
New York	6.5	21.1
North Carolina	6.3	18.7
North Dakota	4.1	14.0
Ohio	5.6	16.7
Oklahoma	5.8	17.6
Oregon	5.9	17.6
Pennsylvania	5.7	19.8
Rhode Island	2.5	16.7
South Carolina	5.0	14.9
South Dakota	7.7	17.9
Tennessee	4.4	16.2
Texas	4.5	16.8
Utah	4.0	12.2
Vermont	6.3	18.3
Virginia	5.4	16.8
Washington	6.4	18.2
West Virginia	8.4	23.7
Wisconsin	4.5	15.3
Wyoming	5.6	13.6

Joint Economic Committee and Aging Committee Democratic Staff calculations based on the 2015 County Business Patterns Data. Data is unavailable for states with no rural counties.

Medicaid Cuts Would Endanger Rural Hospitals with Thin Operating Margins

State	Medicaid and DSH Payments Share of Rural Hospitals' Net
Alabama	10.5
Alaska	13.7
Arizona	15.3
Arkansas	10.5
California	23.5
Colorado	15.1
Connecticut	12.6
Delaware	12.7
District of Columbia	N/A
Florida	14.2
Georgia	10.6
Hawaii	18.2
Idaho	10.5
Illinois	10.4
Indiana	6.7
Iowa	9.5
Kansas	5.6
Kentucky	20.1
Louisiana	19.9
Maine	9.8
Maryland	17.9
Massachusetts	10.6
Michigan	11.0
Minnesota	11.8
Mississippi	14.8
Missouri	10.8
Montana	9.1
Nebraska	4.9
Nevada	7.5
New Hampshire	6.1
New Jersey	8.2
New Mexico	20.9
New York	15.8
North Carolina	11.6
North Dakota	9.5
Ohio	12.5
Oklahoma	10.9
Oregon	16.8
Pennsylvania	10.0
Rhode Island	N/A
South Carolina	12.8
South Dakota	4.2
Tennessee	11.6
Texas	15.8
Utah	11.5
Vermont	11.5
Virginia	8.1
Washington	17.1
West Virginia	17.0
Wisconsin	6.1
Wyoming	6.0

Joint Economic Committee and Aging Committee Democratic Staff calculations based on the CMS cost data. Data is unavailable for states with no rural areas.

[1] For the purposes of this report, we use metropolitan and nonmetropolitan breakdowns in the data to refer to rural and urban trends. For calculations that use the American Community Survey, metropolitan status is based on the location of a survey respondent's PUMA. For all other calculations, metropolitan status is defined at the County level. Metropolitan counties are defined by the U.S. Department of Agriculture as counties with one or more urbanized areas (densely settled areas with 50,000 or more people) and outlying counties that are economically tied to counties with urbanized areas. Nonmetropolitan areas are defined as all other counties. For more information, see https://www.ers.usda.gov/topics/rural-economy-population/rural-classifications/what-is-rural/.

[2] Rural Health Information Hub. "Recruitment and Retention for Rural Health Facilities." Updated on March 15, 2017. Accessed on June 19, 2017.

[3] Joint Economic Committee and Aging Committee Democratic staff analysis of the 2015 5-year American Community Survey.

[4] Abel, Jaison R., Todd M. Gabe, and Kevin Stolarick. 2012. "Workforce Skills across the Urban-Rural Hierarchy." Federal Reserve Bank of New York. Staff Report no. 552. February; United States Department of Agriculture Economic Research Service, "Rural Employment and Unemployment," June 01, 2017.

[5] Joint Economic Committee and Aging Committee Democratic staff analysis of the County Business Patterns data, 2015. This number sums up all workers in rural counties rather than taking an average of rural counties. Note that while urban and rural counties overall have similar percentages of employment in hospitals, rural counties are much more likely to be reliant on hospital employment (defined as more than 10 percent of jobs being in hospitals): 42 percent of rural counties hospital reliant, compared to 23 percent of urban counties.

[6] Joint Economic Committee and Aging Committee Democratic staff analysis of the County Business Patterns data, 2015.

[7] *Ibid.*

[8] *Ibid*. Rural counties are also more than twice as likely as urban counties to be reliant on health care jobs (defined as more than 25 percent of jobs being in health care): 19 percent of rural counties are health care reliant, compared to 8 percent of urban counties.

[9] Joint Economic Committee and Aging Committee Democratic staff analysis of the 2015 5-year American Community Survey.

[10] Henry J. Kaiser Family Foundation, Julia Foutz, Samantha Artiga, and Rachel Garfield. "The Role of Medicaid in Rural America." Issue Brief. April 25, 2017.

[11] Congressional Budget Office. "Dual-Eligible Beneficiaries of Medicare and Medicaid: Characteristics, Health Care Spending, and Evolving Policies." March 27, 2014.

[12] Henry J. Kaiser Family Foundation, Julia Foutz, Samantha Artiga, and Rachel Garfield. "The Role of Medicaid in Rural America." Issue Brief. April 25, 2017.

[13] Joint Economic Committee and Aging Committee Democratic staff analysis of 2015 Medicare cost reports data. Payments to hospitals to assist them with covering the costs of uncompensated care are referred to as Disproportionate Share Hospital (DSH) payments. Note that the sample of hospitals used to calculate this estimate was limited to short-term (general and specialty) hospitals and rural primary care hospitals. Only hospitals that had cost reports covering 364 or 365 days were examined. Hospitals reporting negative Medicaid and DSH revenues were dropped from the sample, as were hospitals reporting Medicaid and DSH revenues that exceeded 100 percent of net revenues. Rural hospitals were designated using criteria used by the Office or Rural Health Policy. Additionally, a number of hospitals had entered incomplete or obviously incorrect information in the 'county' field of their cost report forms, and where possible this was corrected by locating the counties in which these hospitals were located and replacing the information that had been original submitted.

[14] *Ibid.*

[15] Henry J. Kaiser Family Foundation, Larisa Antonisse, Rachel Garfield, Robin Rudowitz, and Samantha Artiga. "The Effects of Medicaid Expansion under the ACA: Updated Findings from a Literature Review." Study Tables, February 22, 2017. For Colorado year is FY2015-2016, for Michigan it is 2016, and for Kentucky is SFY2014.

[16] Health Affairs. "Medicaid Expansion Affects Rural and Urban Hospitals Differently." September 2016.

[17] *Ibid*. Other sources report similar measures of rural hospitals' operating margins. See, for example, Healthcare Management Partners, Scott Phillips and Clare Moylan. "Data Shows Rural Hospitals At Risk Without Special Attention from Lawmakers." 2017, which shows rural hospitals operating margins in 2015 at 0.2 percent.