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Strategies for Improving Profitability of Rural Hospitals: Are Profitable Hospitals Doing Something Different?

Bettye Apenteng

Georgia Southern University, bapenteng@georgiasouthern.edu

Angela Peden

Georgia Southern University, apeden@georgiasouthern.edu

Raymona Lawrence

Georgia Southern University, rlawrence@georgiasouthern.edu

Emmanuel Akowuah

Georgia Southern University, ea01286@georgiasouthern.edu

Samuel Opoku

Georgia Southern University, sopoku@georgiasouthern.edu

See next page for additional authors

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Authors

Bettye Apenteng, Angela Peden, Raymona Lawrence, Emmanuel Akowuah, Samuel Opoku, James H. Stephens, and Bill Mase

Strategies for Improving Profitability of Rural Hospitals: Are Profitable Hospitals Doing Something Different?

Bettye Apenteng, PhD; Angie Peden, MPH; Raymona Lawrence, DrPH; Emmanuel Akowuah, MSc;
Samuel Opoku, MBChB, PhD; James Stephens, DHA; William Mase, DrPH



THE TOP FIVE STRATEGIES adopted by rural hospitals for the purposes of improving financial performance included improving patient satisfaction and care experience, adding new service lines or expanding existing service lines, community outreach, employee engagement, and physician engagement. Profitable hospitals were more likely than other hospitals to have implemented cost-cutting and internal and external stakeholder engagement strategies.

BACKGROUND

Nationwide, hospitals, as well as policy makers, are exploring strategies for improving the financial viability of rural hospitals. These efforts are in response to the critical need for sustainable hospital infrastructure in rural America and the negative impact the lack thereof can have on rural health. This study sought to describe efforts undertaken by rural hospitals to improve financial sustainability.

APPROACH

Data were obtained from a nationwide survey of rural hospital administrators. The sample was drawn from active non-federal critical access hospitals or short-term acute hospitals located in United States rural counties (i.e. non- Core Based Statistical Area), using a stratified random sampling approach. Ninety-four surveys were completed for an overall response rate of 27.8%. Survey data were merged with Center for Medicare and Medicaid Hospital Cost Report Data (2013-2015) for historical hospital financial information. All analyses were weighted to account for the sampling design. Profitable hospitals were defined as hospitals reporting positive operating margin for 3 consecutive years (2013-15).



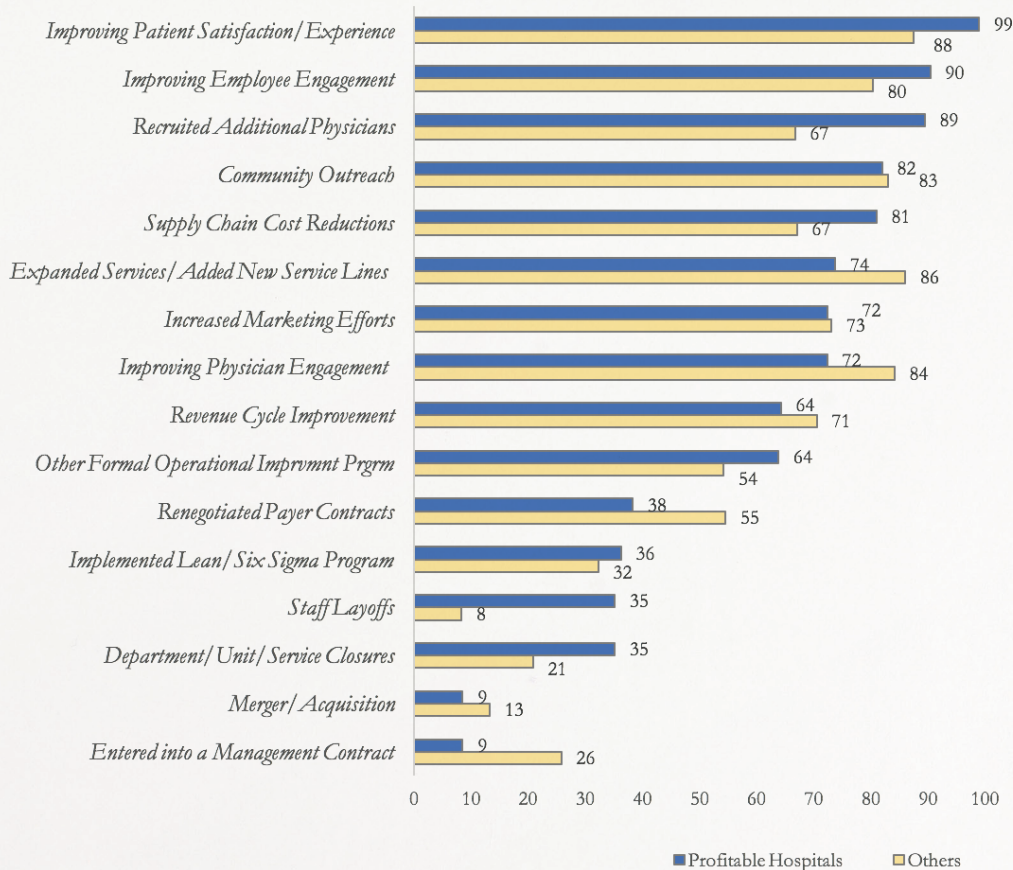
RESULTS AND CONCLUSION

- The most common strategies adopted by rural hospitals for the purposes of improving financial performance included improving patient satisfaction/care experience (overall adoption rate of 91%); addition of new service lines or expansion of existing services, community outreach and focus on improving employee engagement (83% adoption rate for all three) and ; physician engagement (81% adoption rate).
- Compared with all other hospitals, a higher proportion of consistently profitable hospitals (i.e. reporting operating profits for 3 consecutive years) reported adopting strategies targeted at improving patient satisfaction or care experience; improving employee engagement; physician recruitment; supply chain cost reduction; reducing workforce and; closing non-functional/unprofitable units or departments.
- On the other hand, a lower proportion of profitable hospitals, compared to all other hospitals had focused on physician engagement, expanded existing services, renegotiated payer contracts or had entered into a management agreement for the purpose of improving financial performance.
- Among hospitals that had implemented selected strategies and assessed their impact on improving financial performance, profitable hospitals were generally more likely to report improvement in financial performance, compared to other hospitals.
- These findings highlight differences between consistently profitable hospitals and other hospitals with respect to their approaches toward improving financial performance.

LIMITATIONS

The study was a descriptive cross-sectional study based on self-reported survey data. The authors had no way to verify the accuracy of the information reported. Further, hospital administrators may have evaluated the impact of implemented strategies on financial performance differently, given their own contextual frame of reference. The response rate for the survey was low but was consistent with what was obtained from previous surveys of hospital CEOs and administrators.¹⁻³ Moreover, statistical examination revealed little evidence of non-response bias. Several evidence-based strategies were implemented to improve response rates, including making several contacts with respondents, via mail, email, and telephone as well as providing participants with the option to complete either a paper-based survey or web-based survey.

**Strategies Adopted in Last 3 Years for Financial Improvement:
Profitable Hospitals versus Others**



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