

Written Testimony

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For the

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Good morning, Mr. Chairman, Ranking Member Velázquez, and members of the Subcommittee. Thank you for inviting me here to testify. I am Dr. David Schmitz, a family physician who has practiced and taught in rural America for 20 years. I am here today representing the National Rural Health Association where I currently serve as president. I am grateful for this opportunity to discuss rural health care and its impact on rural America and local economies.

NRHA's mission is to improve the health and wellbeing of all rural Americans and as such, we recognize the important role that health care serves in the economic development of rural communities across the country. The economic needs of rural America are vastly different than those faced by counterparts in other geographic and population settings. So too are the health care challenges, and opportunities, for rural health care providers.

Today I will discuss some of the unique challenges to health care in rural America. I will discuss how rural America has also faced unique economic challenges, and how strong rural health care providers can rise to those challenges by providing direct jobs, stimulating indirect jobs, supporting the growth of employers in other industries, and bolstering entire rural communities.

I am here today to talk about the investments that we need to make to ensure that rural health care thrives and, in return, rural economies thrive and sustain our communities. NRHA believes that improving access to care by investing in rural health care -- from workforce to technology infrastructure -- is a means to bolster the local economy. This must be a priority for both the Administration and Congress.

### **Barriers and Challenges of Rural Health Care**

For the 62 million Americans living in rural and remote communities, access to quality, affordable health care is a major concern. Rural Americans on average are older, sicker and poorer than their urban counterparts. They are also more likely to suffer from chronic diseases that require monitoring and follow-up care.

Local care is necessary to ensure patient ability to adhere to treatment plans, to help reduce the overall cost of care, and to improve patient outcomes and their quality of life. Whether following delivery of a baby or a significant loss of function due to stroke, locally integrated care for rural people and their own support system is not only the right care, it's better care. Rural communities are resourceful and continuity of care is primary to good outcomes such as avoidance of hospital re-admission. Investing dollars locally can save many more otherwise wasted dollars lost to inefficiencies, anonymity and the gaps that occur in the miles between.

There is no doubt that rural health care delivery is challenging. Workforce shortages, older and poorer patient populations, geographic barriers, low patient volumes and high rates of publicly insured Medicare and Medicaid recipients, uninsured and underinsured populations are just a few of the barriers.<sup>1</sup>

Unfortunately, a growing number of rural Americans are living in areas with limited health care options. Indeed, 81 rural hospitals have closed since 2010, leaving many rural Americans

without timely access to emergency care. The two most recent of these, closing on June 30<sup>th</sup> of this year, are in Florida and Texas. The majority rural closures are in states that did not expand Medicaid, and with reductions in the Disproportion Share (DSH) payments that helped hospitals cover bad debts incurred by serving high rates of uninsured people, these hospitals could not survive.<sup>2,3,4,5,6</sup> There are 673 additional rural hospitals that are on the brink of closure.

The health disparities between rural populations and their urban counterparts are pronounced. This can be particularly true among the growing minority populations in rural America. A recent study in the *Journal of Rural Health* underscored the alarming extent of these challenges.

Using data from the National Center for Health Statistics, and adjusting for age, the researchers found that rural whites have 102 more deaths per 100,000 members of the population than their urban counterparts. Rural blacks have 115 more deaths per 100,000 than their urban counterparts. The number of excess rural deaths from 1986 to 2012 was 694,000 for whites and 53,000 for blacks.<sup>7</sup>

### **Economic Impact of Rural Providers**

Rural health care providers are not only critically important for the health of rural Americans, the providers are critically important for the economic health of rural communities.

Much of rural America was left behind in the economic recovery. According to the United States Department of Agriculture (USDA), rural counties were losing 200,000 jobs per year and the rural unemployment rate stood at nearly 10 percent during the Great Recession. Since then, economic recovery hasn't returned to rural America. In fact, 95% of the jobs that have returned after the Great Recession have been to urban, not rural areas.

While many industries in rural America have been shrinking, for a wide variety of reasons, health care is an industry with the potential to reverse declining employment. As factory and farming jobs decline, the local rural hospital often becomes the hub of the local business community – not only offering critical life-saving services, but representing as much as 20 percent of the rural economy.

Simply put, hospitals provide a large number of jobs. The economic wellbeing of rural American towns depends on a healthy rural economy, which is anchored by the local rural hospital and local provider. The average Critical Access Hospital (CAH) creates 195 jobs and generates \$8.4 million in payroll annually. Rural hospitals are often the largest or second-largest employer in a rural community (along with the school system). In addition, even a single rural primary care physician can generate 23 jobs and more than \$1 million in annual wages, salaries and benefits.<sup>8</sup>

Because hospitals provide so many jobs, it follows that their closure has a devastating effect on employment. If Congress allows the 673 additional vulnerable rural hospitals to shut their doors, 99,000 direct health care jobs and another 137,000 community jobs will vanish.

A critical component of maintaining economic stability in rural communities is ensuring that rural hospitals and other health care providers are able to remain in their communities. Protecting rural hospitals from closure is an immediate step that can be taken to prevent significant job loss in rural communities.

Workforce challenges also exist in rural America. The rural health landscape with its uneven distribution and shortage of health care professionals is faced with significant problems in recruiting and retaining a trained health care workforce. This is compounded by the disparity in federal reimbursement for rural providers, which if addressed, would not only improve the recruitment and retention of rural physicians, but would also stabilize the rural economy.

Providers are more likely to practice in a rural setting if they have a rural background, participate in a rural training program (RTT Technical Assistance Program) and have a desire to serve rural community needs. The RTT Technical Assistance Program<sup>9</sup> identified that residents training in rural training track residency programs were about twice as likely to practice in rural areas following graduation than family medicine graduates overall.<sup>10</sup> Likewise, an emphasis on inter-professional education, rural medical school tracks, admission of rural and minority students to health professions education are all part of the workforce solution. Training doctors and other health professionals close to home makes it more likely they will call that place home. Investments in rural distributed medical education are supported by such programs as Area Health Education Centers (AHEC),<sup>11</sup> and supported by organizations such as the RTT Collaborative, a not-for-profit sustainable result of the RTT Technical Assistance Program.

To train and educate physicians who will practice in rural, the presence of hospitals and clinics in these rural communities must be present to become part of the “rural medical education campus.” Distributed medical education campuses across rural states and rural America then become the platform for workforce initiatives that work, develop infrastructure to support quality healthcare delivery and produce economic value. Graduate medical education regulatory reform that allows for common sense investment specifically allowing for education of physicians in rural hospitals is one example of how to address rural economic development and workforce shortages in one action, while improving quality and delivering cost-saving healthcare.

### **The Local Scale: How a Healthy Population Means a Healthy Economy**

The benefits of strong rural health care providers spread far beyond the number of people directly employed in a hospital.

Consider the case of Beatrice, Nebraska, a rural town in Gage County, Nebraska. The town has a burgeoning economy largely thanks to the Beatrice Hospital, a CAH with 25 beds, and its related health services. Beatrice is an example of how related health care services flourish when a strong local hospital is nearby. In Beatrice, home health services and assisted living homes have sprung up around the hospital to fulfill the necessary care for the town’s elderly (the town’s average age is six years higher than the state of Nebraska’s average age).

Beatrice Hospital shows how significant the direct and indirect effects of a good hospital are for rural communities. Beatrice Hospital is the town's largest employer with 512 workers. Its payroll is nearly \$28 million, and the average starting salary for a nurse is \$40,000.

The wages provided by the hospital's good jobs circulate throughout the local economy, stimulating small businesses, the local real estate market and more in a virtuous circle for the community. That's why across the country, small rural towns like Beatrice, "have emerged as oases of economic stability across the nation's heartland."<sup>12</sup>

Rural hospitals provide other types of indirect stimulus as well. A hospital's construction and maintenance requires non-hospital-affiliated labor and external contractors to complete. In order to build and maintain a hospital, and receive these benefits, investment in local resources and labor are necessary.

One way to quantify the total impact of the indirect economic benefits of rural hospitals is using employment and labor multipliers. These multipliers are used to measure job and revenue creation upon the entrance of a hospital into a specific market.

If a hospital has an employment or labor multiplier greater than one, it has a positive indirect economic impact. For instance, an employment multiplier of 1.35 would mean that a 100-employee hospital also creates 35 new, non-health-related jobs for local economy. The typical CAH has an employment multiplier of 1.38.

An alternate approach is to look at the multiplier on wages and salaries. For instance, the average wages multiplier for rural hospitals is estimated at 1.24. That means that a rural hospital with \$10 million in wages, indirectly generates an additional \$2.4 million in local salaries and incomes outside the hospital.

Consider what these multipliers mean for a hospital like the one in Beatrice. The 512-direct jobs generate 179-indirect jobs across the community. The \$28 million in direct wages generates \$6.7 million in additional wages throughout the community.

And, in Apalachicola, Florida, the George E. Weems Memorial Hospital is a 25-bed Critical Access Hospital that not only provides dynamic health care services to Franklin County and the surrounding area, but it also has an employment multiplier of 1.40. The \$1.8 million in local retail sales attributed to hospital generates significant sales tax collection.

The multipliers for other types of rural hospitals are similar. The economics are clear that rural hospitals are powerful engines for boosting job creation and increasing earnings across a rural community.

### **Locating and Expanding Businesses in Rural**

The quality of a community's local health care system is a key factor for firms that are considering where to relocate or expand. Access to quality health care is the number two priority

for firms who are making decisions on relocation and expansion. The only thing more important to firms is having access to a skilled workforce.

Without local access to care, the rural economy struggles to grow and thrive. When a community loses access to local health care, it affects the ability of all businesses in the community to go about their business and grow. It is difficult for companies to attract workers with young or expanding families when care for a sick child is not available locally, or if the family must travel hours for prenatal and maternity care.

Knowing you have an emergency room nearby to treat your employees is essential for many businesses, especially within sectors such as farming or energy. The difficult work behind producing our food and energy supply is vital to our nation's economy. This work, which must often be performed in rural and remote areas, has intrinsic risks and dangers. Workers in these vital sectors of the American economy need and deserve access to quality and affordable health care.

Technology such as telemedicine for consultation services have supported rural delivery of care but depend on the adequate development of broadband internet into rural and remote areas. Networks developed for education and building technology-based "virtual communities" can share of best practices and an example such as with Project ECHO will continue to bring more support to rural hospitals and clinics. Still, hands-on care is needed when an unexpected car accident or early delivery of a newborn baby occurs in rural America, no matter if you are a local resident or visiting. Each one of us who spend time and dollars in rural communities will appreciate quality, local care in those moments.

Access to health care is related to the sustainability of small businesses, another hallmark of healthy economies. A rural community simply cannot attract entrepreneurial investment and talent – or entice native talent to remain – without appropriate health services. Small business leaders contribute jobs and more circulating dollars, infusing rural economies with increased assets.

### **Supporting the Whole Community**

The town of Jefferson, Illinois is a testament to the role of a hospital in economic growth. Rand Fisher, president of the Iowa Area Development Group, asserts, "To be successful in business development today, we believe you also have to be very focused on community development."

Fisher is referring to the multi-pronged approach that development-minded communities must take. They must focus on industrial retention, recruitment and entrepreneurship, and community betterment that provides better access to education and health care. A rural hospital is one agent that fulfills all these roles.

Jefferson is "drawing new residents and keeping existing ones through strong business and community development programs," not least of which is its recent hospital renovation. A

technological investment introduced state-of-the-art equipment and improved facilities that are better able to serve patients.<sup>13</sup>

Rural hospitals provide cost-effective primary care. It is 2.5 percent less expensive to provide identical Medicare services in a rural setting than in an urban or suburban setting. This focus on primary care, as opposed to specialty care, saves Medicare \$1.5 billion per year. Quality performance measurements in rural areas are on par with if not superior to urban facilities. Additionally, CAHs represent nearly 30 percent of acute care hospitals but receive less than 5 percent of total Medicare payments.

When a rural hospital closes or a physician leaves, businesses, families, and retirees are forced to leave. Often, rural physicians are hospital-based. When the hospitals close, the physicians leave, soon followed by nurses, pharmacists and other providers. Medical deserts are forming across rural America. Hundreds of rural jobs are lost, home values drop, and those who can't sell their home are stuck in a dying town that can no longer meet their basic needs. A study shows that "the closure of a rural county's sole hospital decreases the economic well-being of the community and likely places the local economy in a downward cycle that may be very difficult to recover from."<sup>14</sup>

All of these examples show why a strong rural health care system is vital to our states' economies. The rural health care system provides a large number of direct jobs, a large number of indirect jobs, and provides key support for every business in a local community. We have seen the devastating impact that the Great Recession has had on rural communities across the country. Health care is one industry capable of playing a critical role supporting the local economy, and protecting rural communities from further economic damage. If roads and Internet access are the blood vessels and nerves, then health care is the backbone to investing in rural America.

## **Recommendations**

When rural hospitals and providers thrive, so do the physical and fiscal health of the community. The following are NRHA's recommendations:

1. **H.R. 2957, the Save Rural Hospitals Act.** Passage of this important bill will provide immediate relief to rural hospitals by stopping the onslaught of reimbursement cuts that have hit rural hospitals. Without increasing reimbursement rates, it will stabilize payments and stop rural hospital closures. It will also create a new health care delivery model that is flexible for the many varied needs in rural communities. Hospitals are essential to rural communities, not just for access to emergency care but for the high-quality jobs supported by the hospital. If the hospital closes, these rural communities will likely face higher poverty rates.
2. **Education:** Continue to fund health workforce programs to not simply recruit individuals to rural areas but to reward those individuals that stay for extended periods of time in

these communities. Regulatory reforms related to rural graduate medical education can have a near-term positive effect on workforce and rural economic growth.

3. **Rural Health Networks:** Expand funding for the creation of rural health networks with the intention of identifying innovative strategies to expand services to all residents through access to quality care at a local integrated level, lower costs and a better patient experience.
4. **Research:** The federal government should support research that explores the linkages between a strong healthcare system and sustainable local economies in rural communities.
5. **Technology Infrastructure:** Provide access to capital through grants and loans for facilities to adopt new technology for Electronic Medical Records (EMRs) and to meet all stages of meaningful use. In addition, provide educational programs to train doctors, nurses and other staff not just how to use the technology but how to interpret the data and how to make recommendations for quality improvement. Broadband access in rural America teamed with health professions education access and ongoing support of practice reduces professional isolation, sustains workforce and improves quality.
6. **Telehealth:** Rural providers and other agencies are seeking to implement new medical technologies to enhance quality and delivery of medical care. Telehealth is an example of one of the most important technologies for rural providers. In 2013, over 40,000 rural beneficiaries received at least one telemedicine visit, and this number is expected to continue to grow. If rural providers are to move toward an online future, they must invest in necessary technological infrastructure and systems. Government grants and private investment in technological advancements can increase the flow of new dollars into rural economies, empowering local resources to further health care infrastructure.

The National Rural Health Association appreciates the opportunity to provide our testimony and recommendations to the subcommittee. An investment in the rural health delivery system is important to maintaining access to high quality care in rural communities and to a healthy, vibrant economy. We greatly appreciate the support of the subcommittee and look forward to working with members of the subcommittee to continue making these important investments for rural America.



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