

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

HOSPITAL CLOSURE: 1990



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EXECUTIVE SUMMARY

PURPOSE

To describe the extent, nature, reasons for, and impact of hospital closure in 1990.

BACKGROUND

The closure of hospitals in recent years has generated increasing public and congressional concern. According to a number of recent studies, more hospitals are expected to close in coming years. Numerous questions have been raised about the reasons for and the impact of hospital closure, as well as the implications for public policy.

At the request of the Secretary of the Department of Health and Human Services, the Office of Inspector General (OIG) prepared a report in May 1989 describing the nationwide phenomenon of hospital closure in 1987. The Secretary then asked the Inspector General to continue analysis of hospital closure to determine trends and effects of the phenomenon. We issued a report on 1988 hospital closures in April 1990 and a report on 1989 closures in January 1991.

The findings from the OIG 1987, 1988 and 1989 studies were similar. The hospitals that closed were small and had low occupancy rates. When the hospitals closed, few patients were affected. Most could get medical care nearby.

FINDINGS

Our inspection of hospital closures in 1990 produced findings similar to those previously reported for 1987, 1988, and 1989.

- ▶ Fifty-six general, acute care hospitals closed -- 20 fewer than in 1989. Twenty-eight of the closed hospitals were rural; 28 were urban. They were located in 26 States. Seven new hospitals opened, and 2 hospitals that closed prior to 1990 reopened in 1990.
- ▶ Closed hospitals in both rural and urban areas were much smaller than the national averages. Rural hospitals that closed were less than half the size of the average rural hospital nationwide (38.8 beds vs. 82.5 beds). Urban hospitals that closed were much smaller than the average urban hospital nationwide (93.1 beds vs. 245.1 beds).
- ▶ Occupancy rates for closed rural and urban hospitals were much lower than the national averages. Rural hospitals that closed had an average occupancy rate of 23.5 percent compared to an average 38.6 percent for all rural hospitals

nationally. Urban hospitals that closed had an average occupancy rate of 30.5 percent compared to an average 56.6 percent for all urban hospitals nationally.

- ▶ The average Medicare utilization among hospitals that closed was slightly lower in rural areas than the national average for rural hospitals (48.4 percent vs. 51.2 percent). In urban areas, the average Medicare utilization among hospitals that closed was higher than the national average for urban hospitals (50.7 percent vs. 44.8 percent).
- ▶ The average Medicaid utilization among hospitals that closed was slightly higher in rural areas than the national average for rural hospitals (12.3 percent vs. 10.6 percent). Minimal differences existed in the average Medicaid utilization among urban hospitals that closed and urban hospitals nationally.
- ▶ The reasons for hospitals closing in 1990 were similar to those reported for hospitals closing in 1987, 1988 and 1989. Hospitals closed because of the interrelated factors of declining occupancy, lagging revenues and rising costs. Hospital viability depends on the stability of all three factors. The weakening of one may begin a chain reaction eventually leading to hospital closure.
- ▶ Although residents in a few communities had to travel greater distances for hospital care, emergency and inpatient medical care is available within 20 miles for most communities where hospitals closed.
- ▶ At the time of our review, 31 of the 56 closed hospital facilities (55 percent) were being used, primarily for health-related services. Also plans were being made for using 8 of the remaining 25 vacant hospitals for health-related services.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	i
INTRODUCTION	1
FINDINGS	
Extent and Nature of Hospital Closure	3
How Many Closed?	3
Where Were They?	3
How Many Opened?	4
What Were the Closed Hospitals Like?	4
Why Did They Close?	7
Impact of Hospital Closure	7
How Many Patients Were Affected?	7
Are Inpatient Care and Emergency Services Available?	8
What Is the Building Used For Now?	10
Summary	11
ENDNOTES	12
APPENDIXES	
Appendix A: Methodology	A-1
Appendix B: Number of Hospital Closures by State	B-1
Appendix C: Number of Hospital Closures by Name and Location	C-1

INTRODUCTION

PURPOSE

To describe the extent, nature, reasons for, and impact of hospital closure in 1990.

This report is a follow-up to the recent Office of Inspector General (OIG) studies entitled "Hospital Closure: 1987" (OAI-04-89-00740), issued in May 1989, "Hospital Closure: 1988" (OEI-04-89-01810), issued in April 1990 and "Hospital Closure: 1989" (OEI-04-90-02440), issued in January 1991.

This study was requested by the Secretary of the Department of Health and Human Services.

BACKGROUND

In the past several years, the closure of general, acute care hospitals has generated increasing public and congressional concern. According to a number of recent studies, more hospitals are expected to close in coming years. Numerous questions have been raised about the reasons for and the impact of hospital closure, as well as implications for public policy.

At the request of the Secretary of the Department of Health and Human Services (HHS), the OIG released an inspection in May 1989 describing the extent, nature and impact of hospital closure in 1987 in the United States. That study showed that 69 hospitals closed in 1987. The results were presented to the Secretary, the Assistant Secretaries of HHS, and staff of the Health Care Financing Administration (HCFA) and the Public Health Service (PHS). The Inspector General testified before the U.S. House Ways and Means Subcommittee on Health regarding the study findings. Many of those informed of the study of 1987 hospital closures encouraged the Inspector General to continue analysis of the phenomenon to detect differences in the rate of hospital closure and in the characteristics and circumstances of hospitals that close.

Similar inspections of 1988 hospital closures and 1989 hospital closures showed that 88 and 76 hospitals closed respectively.

The findings from the 1987, 1988 and 1989 studies were similar. The hospitals that closed were small and had low occupancy rates. When the hospitals closed, few patients were affected. Most could get medical care nearby.

SCOPE

We examined hospitals that closed in calendar year 1990.

For purposes of this study, the following definitions were used.

Hospital: A facility that provides general, short-term, acute medical and surgical inpatient services.

Closed Hospital: One that stopped providing general, short-term, acute inpatient services in 1990. If a hospital merged with or was sold to another hospital and the physical plant closed for inpatient acute care, it was considered a closure. If a hospital both closed and reopened in 1990, it was not considered a closure. If a hospital closed in 1989, reopened in 1990, and closed again in 1990, it was counted as a closure for 1989 but not again in 1990.

METHODS

To determine the extent and nature of hospital closure, we obtained information from HCFA data bases. To determine reasons for and impact of hospital closure, we interviewed State hospital associations, State licensing and certification agencies, State health planning agencies, officials associated with closed and nearby hospitals, and local public officials.

Appendix A describes information collection methods in further detail.

FINDINGS

The Inspector General's study of hospitals closed in 1990 showed that:

- ▶ Fifty-six general, acute care hospitals closed in 1990. Twenty fewer hospitals closed in 1990 than in the previous year.
- ▶ Most hospitals that closed were small and had low occupancy rates.
- ▶ When a hospital closed, few patients were affected.
- ▶ Although residents of a few communities had to travel greater distances, most had emergency and inpatient medical care available within 20 miles of the closed hospital.

EXTENT AND NATURE OF HOSPITAL CLOSURE

How Many Closed?

In 1990, there were more than 6,800 hospitals in the United States. Of those, 5,466 were general, short-term, acute care hospitals entered on HCFA's data base as participating in the Medicare program. Fifty-six (56) hospitals closed in 1990 -- 1 percent of all hospitals nationally. Twenty fewer hospitals closed in 1990 than in the previous year.

HOSPITALS IN THE U.S.:	5,466
CLOSED IN 1990:	56 (1.0%)

When they closed, the general, acute care inpatient bed supply was reduced by 3,694 beds, or 0.4 percent.

Where Were They?

The closed hospitals were located in 26 States. The greatest number of closures was in Texas (10), followed by California (7), Massachusetts (4), and Louisiana (4). These 4 States represented 45 percent of the closures. Thirteen States had one closure each. Appendix B lists the 1990 closures by State.

One percent of all rural hospitals nationally closed in 1990. Similarly, 1 percent all urban hospitals nationally closed in 1990.

	RURAL	URBAN
HOSPITALS IN THE U.S.:	2,667	2,799
CLOSED IN 1990:	28 (1.0%)	28 (1.0%)

How Many Opened?

While 56 hospitals closed in 1990, 7 new, general, acute care hospitals opened, adding 700 beds to the national supply of beds.

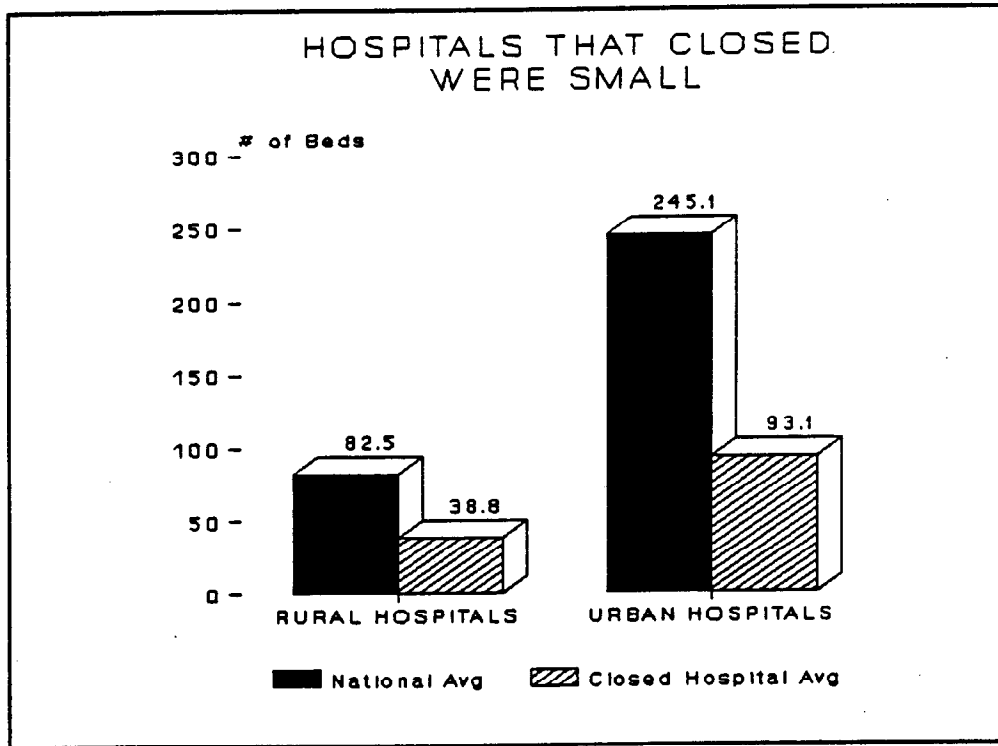
In addition to the new openings during 1990, 2 hospitals that closed prior to 1990 reopened in 1990, adding another 61 beds.

What Were the Closed Hospitals Like?

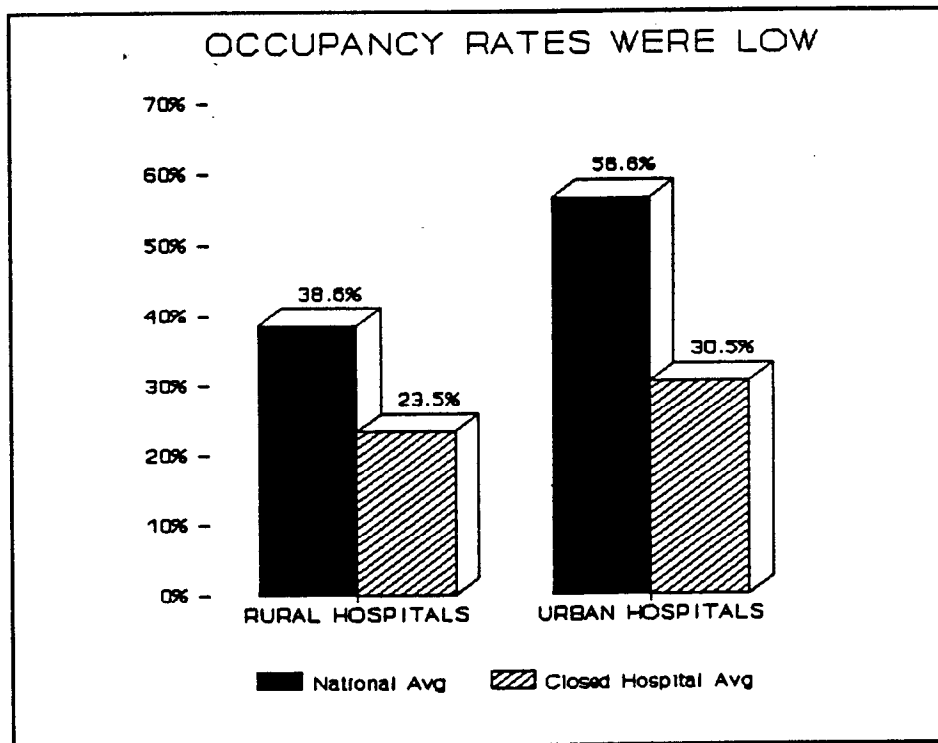
Size: Hospitals that closed in 1990 were small. More than three-quarters had fewer than 100 beds.

SIZE OF CLOSED HOSPITALS				
Number of Beds	Rural	Urban	Total	Percent
0 - 29	12	4	16	28.6
30 - 49	10	4	14	25.0
50 - 99	5	8	13	23.2
100 - 199	1	10	11	19.6
200 - 299	0	2	2	3.6
300 >	0	0	0	0.0
TOTALS	28	28	56	100.0

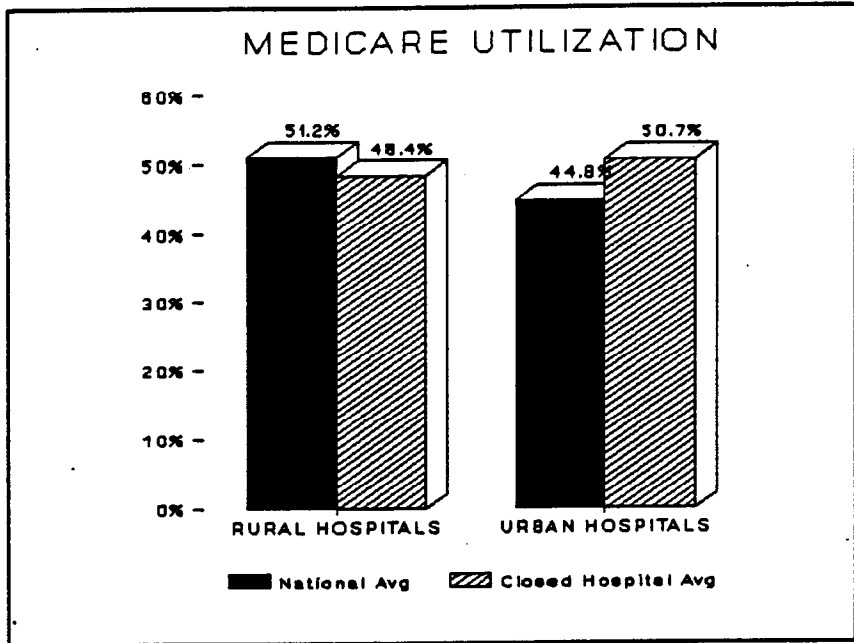
Closed hospitals in both rural and urban areas were much smaller than the national averages. Rural hospitals that closed were less than half the size of the average rural hospital nationwide (38.8 beds vs. 82.5 beds). Urban hospitals that closed were even smaller than the average urban hospital nationwide (93.1 beds vs. 245.1 beds).



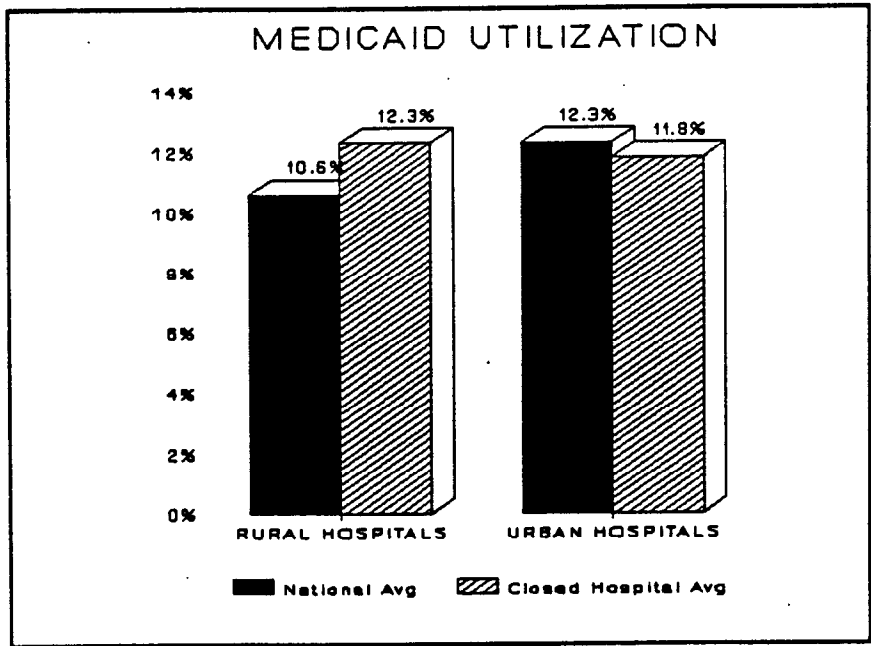
Occupancy: Occupancy rates for closed rural and urban hospitals were much lower than the national average.¹



Medicare Utilization: In rural areas, the average Medicare utilization among hospitals that closed was slightly lower than the rural national average (48.4 percent vs. 51.2 percent). In urban areas, the average Medicare utilization among hospitals that closed was higher than the urban national average (50.7 percent vs. 44.8 percent).²

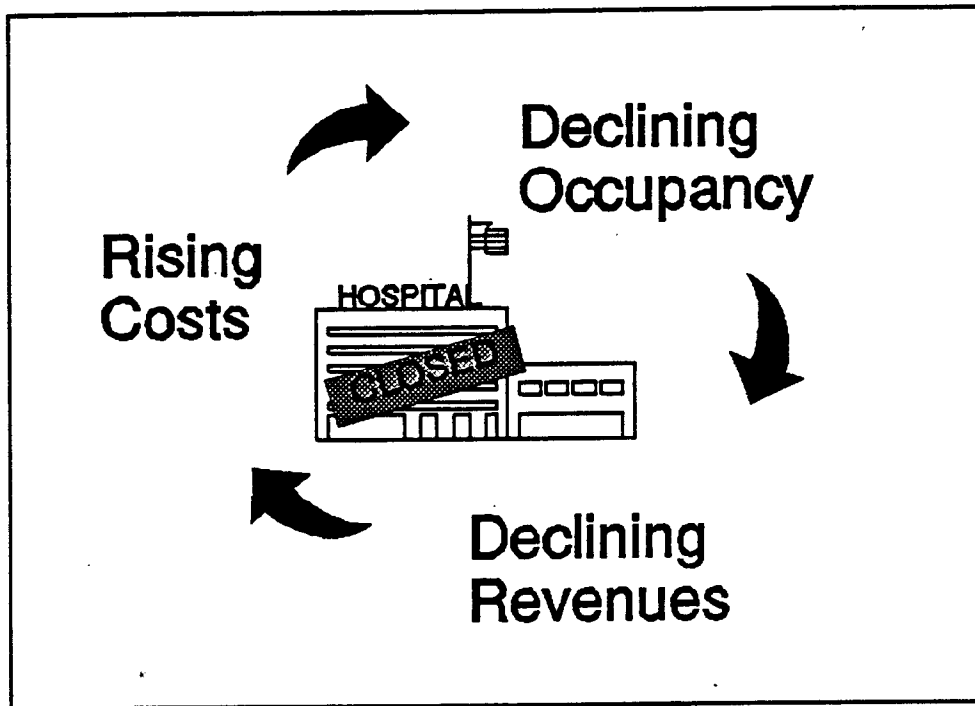


Medicaid Utilization: In rural areas, the average Medicaid utilization among hospitals that closed was slightly higher than the rural national average (12.3 percent vs. 10.6 percent). Minimal differences existed in the average Medicaid utilization among urban hospitals that closed and all urban hospitals nationally.³



Why Did They Close?

As in our previous hospital closure studies, the many health care professionals interviewed for 1990 closures reported no single reason for hospital closure. Hospitals close because of the interrelated factors of declining occupancy, lagging revenues and rising costs. Hospital viability was said to depend on the stability of all three factors. The weakening of one may begin a chain reaction eventually leading to hospital closure.



IMPACT OF HOSPITAL CLOSURE

In communities where hospitals closed in 1990, we assessed the:

- ▶ number of patients affected by closure of hospitals;
- ▶ availability of inpatient care and emergency medical services; and
- ▶ current use of the closed hospital facility.

How Many Patients Were Affected?

Few patients were affected by hospital closure. For rural hospitals that closed in 1990, the average daily census in the year prior to closure was nine patients. The urban hospitals had an average daily census of 28 patients.

**WHEN HOSPITALS CLOSED,
HOW MANY PATIENTS WERE AFFECTED?**

	Rural Hospitals	Urban Hospitals
Average Number of Beds	38.8	93.1
Average Occupancy Rate	<u>x 23.5%</u>	<u>x 30.5%</u>
Average Patient Census	9.1	28.4

We analyzed Medicare utilization data to determine the number of elderly patients affected by hospital closure in 1990. In rural hospitals that closed, four Medicare patients were in the hospital on an average day in the year prior to closure. In the urban hospitals that closed, there were 14 Medicare patients on an average day.

**WHEN HOSPITALS CLOSED,
HOW MANY MEDICARE PATIENTS WERE AFFECTED?**

	Rural Hospitals	Urban Hospitals
Average Patient Census	9.1	28.4
Average Medicare Utilization Rate	<u>x 48.4%</u>	<u>x 50.7%</u>
Average Number Medicare Patients	4.4	14.4

Are Inpatient Care and Emergency Services Available?

We assessed availability of inpatient and emergency medical care in miles from closed hospitals to the nearest inpatient and emergency facilities.

Inpatient Care: In most communities where a hospital closed in 1990, inpatient hospital care was available nearby.

Rural: Residents in 18 of the 28 rural communities where a hospital closed could get inpatient care within 20 miles of the closed hospital.

Residents of 3 rural communities had to travel more than 30 miles for inpatient care.

Urban: In all but 2 of the 28 urban communities where a hospital closed in 1990, inpatient care was available within 10 miles of the closed hospital.

NEAREST INPATIENT CARE TO CLOSED HOSPITALS		
DISTANCE	NUMBER OF CLOSED HOSPITALS	
	Rural	Urban
Within 10 miles	9 (32%)	26 (93%)
11-20 Miles	9 (32%)	2 (7%)
21-30 Miles	7 (25%)	0 (0%)
More than 30 Miles	3 (11%)	0 (0%)
Totals	28 (100%)	28 (100%)

Emergency Services: When a hospital closed, the community lost not only inpatient beds, but also emergency services.

Rural: In all 28 communities where rural hospitals closed, emergency care facilities were available within 30 miles of closed hospitals.

In all but 4 of the 28 rural communities where hospitals closed, emergency care facilities were available within 20 miles of the closed hospital. In those four communities, ambulance services and physician services were available.

NEAREST EMERGENCY SERVICES TO CLOSED RURAL HOSPITALS	
DISTANCE	NUMBER OF CLOSED HOSPITALS
Same Town	8
Within 10 miles	6
11-20 miles	10
21-30 miles	4
More than 30 miles	0
Total	28

Urban: In all but 4 urban communities where a hospital closed, emergency care facilities were less than 5 miles from the closed hospital. In 3 of those 4 communities, emergency care facilities were within 10 miles from the closed hospital. Residents of the fourth community, Buna, Texas, must travel 15 miles for emergency care. That community has physician services and ambulance services available.

What Is the Building Used For Now?

At the time of our review, 31 of the 56 closed hospital buildings (55 percent) were being used, primarily for health-related services. For example:

- ▶ McCone County Hospital in Circle, Montana was converted to a Medical Assistance Facility. It provides 24-hour emergency services, outpatient care and up to 4 days of inpatient care.
- ▶ Holden Hospital in Holden, Massachusetts was converted to an urgent care center.
- ▶ Sardis Community Hospital in Sardis, Mississippi and Iola Hospital in Iola, Wisconsin became nursing homes.
- ▶ Westland Medical Center in Westland, Michigan offers substance abuse and psychiatric services in the former hospital building.

The following chart illustrates the use of all 56 hospital facilities after closure in 1990.

USE OF CLOSED HOSPITALS		
Use of Building	Number of Former Hospitals*	
	Rural	Urban
Specialty Treatment Facility (e.g. chemical dependency)	4	3
Long Term Care Facility	4	4
Outpatient Services/Clinic	8	7
Offices	2	2
Social Services	4	0
Vacant	10	15

*Duplicate count. In 7 of the 56 former hospitals more than 1 service is now offered.

Plans were being made for using 8 of the remaining 25 vacant hospitals for health-related services. For example, Modesto City Hospital in Modesto, California will be converted to a Rehabilitation hospital. Plans were being made for two of the closed facilities to reopen as acute care hospitals.

SUMMARY

Fifty-six hospitals closed in 1990 - 20 fewer than in 1989. Their characteristics were very similar to hospitals that closed in 1987, 1988 and 1989. Most hospitals that closed in 1990 were small and had low occupancy. When a hospital closed, few patients were affected. Although residents of a few communities had to travel greater distances for hospital care, most had emergency and inpatient medical care available within 20 miles of the closed hospital.

ENDNOTES

1. Hospital occupancy rate is defined as the actual number of patient days divided by the total bed days available. National occupancy rate is defined as the sum of all hospitals' occupancy rates, divided by the number of hospitals.
2. Average Medicare utilization of closed urban and rural hospitals is defined as the percent of Medicare patient days compared to the total patient days for each hospital, summed and divided by the number of hospitals. National average Medicare utilization is the percent of Medicare utilization of each hospital, summed and divided by the total number of hospitals.
3. Medicaid utilization is calculated in the same way as Medicare utilization.

APPENDIX A

METHODOLOGY

Extent and Nature of Hospital Closure

To determine how many hospitals closed in 1990, we contacted all 50 State licensing and certification agencies. We also contacted State hospital associations and State health planning agencies. When a closed hospital met the study's definition or when there were questions, we contacted officials associated with the closed hospitals and officials associated with hospitals nearest to the closed hospital.

To determine the number of hospitals in the United States, we used the Hospital Cost Report Information System (HCRIS) maintained by the Health Care Financing Administration (HCFA). We included only the general, short-term, acute care hospitals under Medicare's Prospective Payment System (PPS) in the universe. There were 5,466 hospitals listed on HCRIS as short-term, acute care, general hospitals for the sixth year of PPS (PPS 6).

To analyze characteristics of closed hospitals, we used HCFA's HCRIS data. We used the latest pre-closure cost reports. For example, if a hospital closed in May 1990 and its accounting year was on a January-December cycle, we used the provider's January 1, 1989 to December 31, 1989 report.

We contacted officials of the following organizations to determine the reasons for 1990 hospital closure:

- ▶ State hospital associations
- ▶ State health planning agencies
- ▶ State certification and licensing agencies
- ▶ Closed hospitals
- ▶ Nearest hospitals to closed hospitals

Impact of Hospital Closure

We limited our "impact" analysis to distance from a closed hospital to the nearest still-operating hospitals and to emergency services. We obtained data for our analysis from the following sources:

- ▶ Former hospital administrators, board members, and/or staff of closed hospitals
- ▶ Hospital administrators and/or staff at the nearest hospitals
- ▶ Local police and health officials
- ▶ Local government officials
- ▶ State health planning agencies
- ▶ State certification and licensing agencies
- ▶ State hospital associations

APPENDIX B

State	Total Closures	Rural Closures	Urban Closures
Texas	10	7	3
California	7	2	5
Louisiana	4	4	0
Massachusetts	4	0	4
Arkansas	2	2	0
Colorado	2	2	0
Florida	2	0	2
Georgia	2	0	2
Illinois	2	1	1
Michigan	2	0	2
New York	2	0	2
Oklahoma	2	0	2
Washington	2	0	2
Alabama	1	1	0
Iowa	1	1	0
Arizona	1	0	1
Mississippi	1	1	0
Montana	1	1	0
New Hampshire	1	1	0
New Mexico	1	1	0
Nevada	1	0	1
Ohio	1	0	1
Oregon	1	1	0
Vermont	1	1	0
Wisconsin	1	1	0
West Virginia	1	1	0
26 States	56 Closures	28 Rural	28 Urban

APPENDIX C

1990 HOSPITAL CLOSURES BY NAME AND LOCATION			
Hospital Name	City	State	Rural/ Urban
Cleburne Community Hospital and Nursing Home	Heflin	AL	rural
Buffalo Island Hospital	Manila	AR	rural
Dermott-Chicot Memorial Hospital	Dermott	AR	rural
Valley View Community Hospital	Youngstown	AZ	urban
Rancho Encino Hospital	Encino	CA	urban
Community Hospital of Salinas	Salinas	CA	urban
Mendocino Community Hospital	Ukiah	CA	rural
Modesto City Hospital	Modesto	CA	rural
Fowler Community Hospital	Fowler	CA	urban
AMI Community Hospital of Santa Cruz	Santa Cruz	CA	urban
Marina Hills Hospital	Los Angeles	CA	urban
Washington County Public Hospital	Akron	CO	rural
La Plata Community Hospital	Durango	CO	rural
Centro Asturiano Hospital	Tampa	FL	urban
North Miami Medical Center	Miami	FL	urban
Physicians and Surgeons Hospital	Atlanta	GA	urban
Atlanta Hospital	Atlanta	GA	urban
Community Memorial Hospital	Postville	IA	rural
Central Community Hospital	Clifton	IL	urban
Douglas County Jarman Memorial Hospital	Tuscola	IL	rural
Rayne-Branch Hospital	Rayne	LA	rural
E.S. Pike Memorial Hospital	Kentwood	LA	rural
St. Luke General Hospital	Arnaudville	LA	rural
Plaquemines Parish General Hospital	Port Sulpher	LA	rural
Holden Hospital	Holden	MA	urban
Hunt Hospital	Danvers	MA	urban
Massachusetts Osteopathic Hospital and Medical Center	Boston	MA	urban
St. Lukes Hospital of Middleborough	Middleboro	MA	urban
Westland Medical Center	Westland	MI	urban
Northwest General Hospital	Detroit	MI	urban

1990 HOSPITAL CLOSURES BY NAME AND LOCATION (cont.)

Hospital Name	City	State	Rural/ Urban
Sardis Community Hospital and Nursing Home	Sardis	MS	rural
McCone County Hospital	Circle	MT	rural
Newport Hospital	Newport	NH	rural
Valencia Presbyterian Hospital	Belen	NM	rural
Incline Village Community Hospital	Incline Village	NV	urban
Tioga Community Hospital	Waverly	NY	urban
Adirondack Regional Hospital	Corinth	NY	urban
St. John Hospital	Cleveland	OH	urban
Hominy City Hospital	Hominy	OK	urban
Doctors General Hospital	Oklahoma City	OK	urban
St. Helens Hospital and Health Center	St. Helens	OR	rural
Hico Community Hospital	Hico	TX	rural
Corpus Christi Osteopathic Hospital	Corpus Christi	TX	urban
Charles R. Drew Medical Center	Houston	TX	urban
E.L. Graham Memorial Hospital	Cisco	TX	rural
Ranger General Hospital	Ranger	TX	rural
Burleson Memorial Hospital	Caldwell	TX	rural
Harris Methodist - Dublin	Dublin	TX	rural
David Granberry Memorial Hospital	Naples	TX	rural
Buna Medical Center Hospital	Buna	TX	urban
Hubbard Hospital	Hubbard	TX	rural
Rockingham Memorial Hospital	Bellows Falls	VT	rural
West Seattle Community Hospital	Seattle	WA	urban
Saint Cabrini Hospital of Seattle	Seattle	WA	urban
Iola Hospital	Iola	WI	rural
Wyoming General Hospital	Mullens	WV	rural