

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

HOSPITAL CLOSURE: 1991



DECEMBER 1992

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DECEMBER 1992 OEI-04-92-00440

EXECUTIVE SUMMARY

PURPOSE

To describe the extent, characteristics and impact of hospital closure in 1991.

BACKGROUND

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

We released a report in May 1989 describing the nationwide phenomenon of hospital closure in 1987. We continued analysis of hospital closure to determine trends and effects of the phenomenon. We issued subsequent reports on 1988, 1989 and 1990 hospital closures.

The findings from the OIG 1987, 1988, 1989 and 1990 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 1991 produced findings similar to those previously reported for 1987, 1988, 1989 and 1990.

- ▶ Fifty-seven general, acute care hospitals closed, one more than in the previous year. They were located in 27 States. Eight new hospitals opened, and 1 hospital that closed prior to 1991 reopened in 1991.
- ▶ Thirty-six of the closed hospitals were rural and 21 were urban. A higher percentage of rural hospitals (1.4 percent) closed in 1991 than did urban hospitals (0.8 percent).
- ▶ Closed hospitals in both rural and urban areas were much smaller than the national averages. Rural hospitals that closed had an average size of 32 beds compared to an average of 86 beds for all rural hospitals nationally. Urban hospitals that closed had an average size of 103 beds compared to an average of 247 beds for all urban hospitals nationally.
- ▶ Occupancy rates for closed rural and urban hospitals were lower than the national averages. Rural hospitals that closed had an average occupancy rate of 23 percent compared to an average of 37.5 percent for all rural hospitals nationally. Urban

hospitals that closed had an average occupancy rate of 36 percent compared to an average of 56.4 percent for all urban hospitals nationally.

- ▶ No significant differences existed in the average Medicare utilization between hospitals that closed and all hospitals nationally.
- ▶ In urban areas, the average Medicaid utilization among hospitals that closed was higher than the urban national average (17.4 percent vs. 11.7 percent). No significant differences existed in the average Medicaid utilization among rural hospitals that closed and all rural hospitals nationally.
- ▶ Although residents in a few communities had to travel greater distances for hospital care, most had emergency and inpatient medical care available within 20 miles of a closed hospital.
- ▶ At the time of our inspection, 32 of the 57 closed hospital facilities (56 percent) were being used for health-related services. Also, plans were being made for using 10 of the remaining 25 vacant hospitals for health-related services.

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INTRODUCTION

PURPOSE

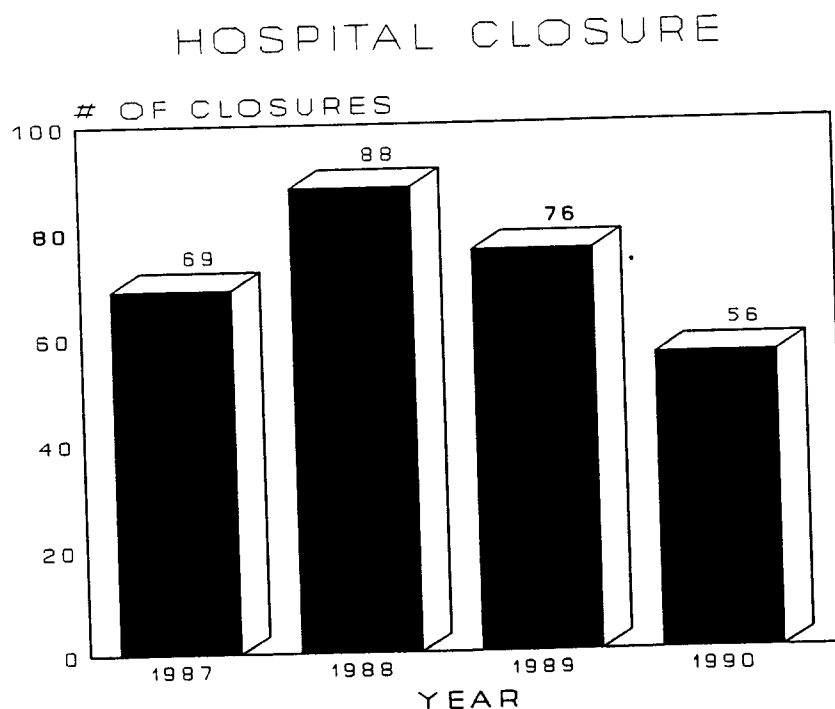
To describe the extent, characteristics and impact of hospital closure in 1991.

BACKGROUND

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

We released a report in May 1989 describing the extent, characteristics and impact of hospital closure in the United States in 1987. That inspection showed that 69 hospitals closed in 1987. Many health policy officials in both the Executive and Legislative Branches of the Federal Government who had been informed of the 1987 results encouraged us to continue analysis of the phenomenon to detect differences in the rate of hospital closure and in the characteristics and impact of hospitals that close.

Similar inspections of the phenomenon of hospital closure in 1988, 1989 and 1990 showed that 88, 76 and 56 hospitals closed respectively.



The findings from the 1987, 1988, 1989 and 1990 inspections 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 1991.

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 1991. 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 1991, it was not considered a closure.

METHODOLOGY

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

We obtained information on the characteristics of all hospitals and those that closed in 1991 from the Hospital Cost Report Information System (HCRIS) maintained by HCFA.

Appendix A describes our methodology in further detail.

FINDINGS

The Inspector General's study of hospitals closed in 1991 showed that:

- ▶ Fifty-seven general, acute care hospitals closed in 1991, one more 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 for hospital care, most had emergency and inpatient medical care available within 20 miles of the closed hospital.

EXTENT AND CHARACTERISTICS OF CLOSED HOSPITALS

How Many Closed

In 1991, there were more than 6,800 hospitals in the United States. Of those, 5,334 were general, short-term, acute care hospitals entered on HCFA's data base as participating in the Medicare program. Fifty-seven (57) hospitals closed in 1991 -- about 1 percent of all hospitals nationally. One more hospital closed in 1991 than in the previous year.

HOSPITALS IN THE U.S.:	5,334
CLOSED IN 1991:	57 (1.1%)

When they closed, the general, acute care inpatient bed supply was reduced by 3,314 beds, or 0.4 percent.

Where Were They

The closed hospitals were located in 27 States. Texas had the greatest number of closures (8), followed by Minnesota (6), California (5), Mississippi (5) and Missouri (4). These 5 States represented almost half (49 percent) of the closures in 1991. Seventeen States had one closure each. Appendix B lists the number of hospital closures by State. Appendix C lists the closures by hospital name and location.

Nationally, a higher percentage of rural hospitals (1.4 percent) closed in 1991 than did urban hospitals (0.8 percent).

	RURAL	URBAN
HOSPITALS IN THE U.S.:	2,609	2,725
CLOSED IN 1991:	36 (1.4%)	21 (0.8%)

How Many Opened

While 57 hospitals closed in 1991, 8 new general, acute care hospitals opened, adding 708 beds to the national supply of beds.

In addition to the new openings during 1991, 1 hospital that closed prior to 1991 reopened in 1991, adding another 30 beds.

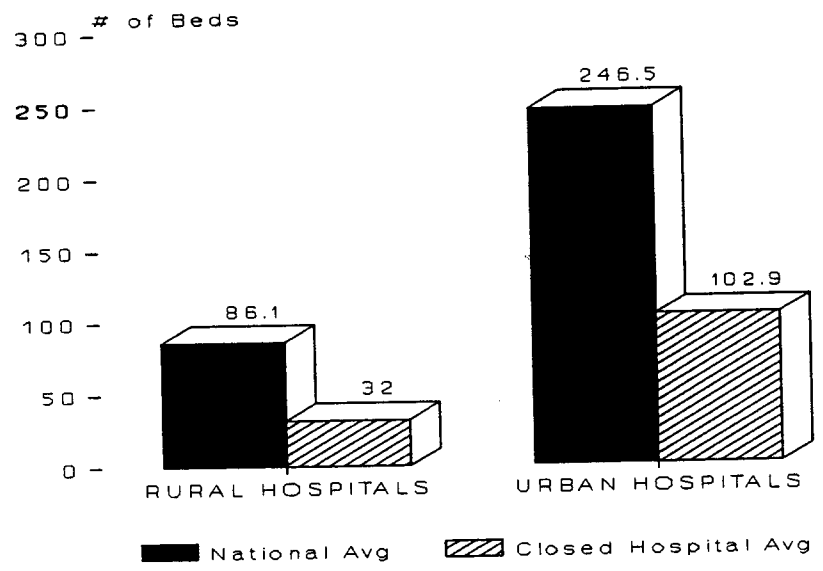
What Were the Closed Hospitals Like

Size: Hospitals that closed in 1991 were small. Almost two-thirds (65 percent) of the hospitals that closed had fewer than 50 beds.

SIZE OF CLOSED HOSPITALS				
Number of Beds	Rural	Urban	Total	Percent
0 - 29	17	1	18	31.6
30 - 49	15	4	19	33.3
50 - 99	4	7	11	19.3
100 - 199	0	7	7	12.3
200 - 299	0	2	2	3.5
300 >	0	0	0	0.0
TOTALS	36	21	57	100.0

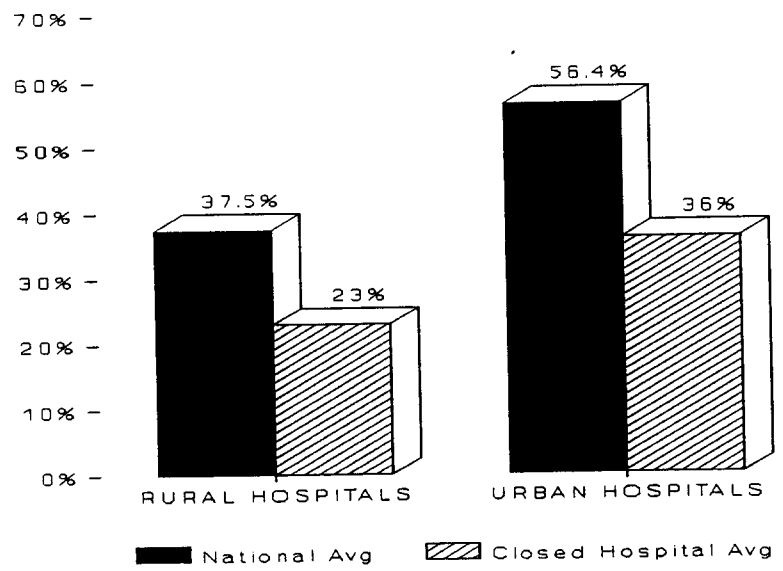
Both the rural and urban hospitals that closed in 1991 were considerably smaller than the average size of rural and urban general, acute care hospitals nationally.

HOSPITALS THAT CLOSED WERE SMALL

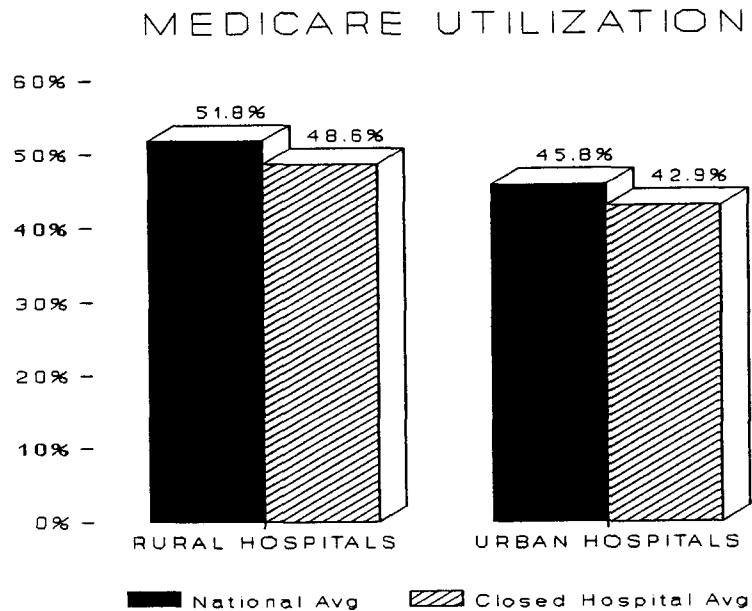


Occupancy: Occupancy rates for closed rural and urban hospitals were lower than the national averages.¹

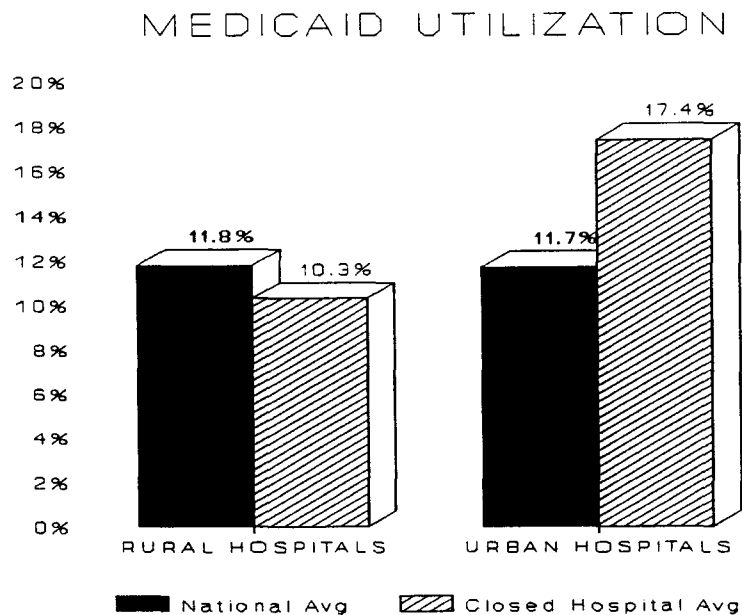
OCCUPANCY RATES WERE LOW



Medicare Utilization: No significant differences existed in the average Medicare utilization between hospitals that closed and all hospitals nationally.²



Medicaid Utilization: In urban areas, the average Medicaid utilization among hospitals that closed was higher than the urban national average (17.4 percent vs. 11.7 percent). No significant differences existed in the average Medicaid utilization among rural hospitals that closed and all rural hospitals nationally.³



IMPACT OF HOSPITAL CLOSURE

In communities where hospitals closed in 1991, 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

For rural hospitals that closed in 1991, the average daily census in the year prior to closure was seven patients. The urban hospitals had an average daily census of 37 patients.

WHEN HOSPITALS CLOSED, HOW MANY PATIENTS WERE AFFECTED?		
	Rural Hospitals	Urban Hospitals
Average Number of Beds	32.0	102.9
Average Occupancy Rate	<u>x 23.0%</u>	<u>x 36.0%</u>
Average Number of Patients	7.4	37.0

We analyzed Medicare utilization data to determine the number of elderly patients affected by hospital closure in 1991. 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 16 Medicare patients on an average day.

WHEN HOSPITALS CLOSED, HOW MANY MEDICARE PATIENTS WERE AFFECTED?		
	Rural Hospitals	Urban Hospitals
Average Patient Census	7.4	37.0
Average Medicare Utilization Rate	<u>x 48.6%</u>	<u>x 42.9%</u>
Average Number Medicare Patients	3.6	15.9

Are Inpatient Care and Emergency Services Available

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

Inpatient Care: In most communities where a hospital closed in 1991, inpatient hospital care was available nearby.

Rural: Residents in 23 of the 36 rural communities (64 percent) where a hospital closed could get inpatient hospital care within 20 miles of the closed hospital. Residents of 4 rural communities had to travel more than 30 miles for inpatient hospital care.

Urban: Residents in 14 of the 21 urban communities (67 percent) where a hospital closed could get inpatient hospital care within 3 miles of the closed hospital. The remaining 7 communities are within 20 miles of an inpatient hospital.

NEAREST INPATIENT CARE TO CLOSED HOSPITALS		
	NUMBER OF CLOSED HOSPITALS	
DISTANCE	Rural	Urban
Within 3 Miles	4 (11%)	14 (67%)
4-10 miles	4 (11%)	3 (14%)
11-20 Miles	15 (42%)	4 (19%)
21-30 Miles	9 (25%)	0 (0%)
More than 30 Miles	4 (11%)	0 (0%)
Totals	36 (100%)	21 (100%)

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

Rural: In three-quarters (27 of 36) of the communities where rural hospitals closed, emergency care facilities were available within 20 miles of closed hospitals. Residents of 2 communities had to travel more than 30 miles for emergency care.

- Goldwaith, Texas 32 miles
- Mansfield, Missouri 45 miles

Both communities have a physician, outpatient clinic and an ambulance service to transport residents to 24-hour emergency care facilities.

Urban: In two-thirds (14 of 21) of the urban communities where a hospital closed, emergency care facilities were within 3 miles from the closed hospital. The remaining 7 communities are within 15 miles of an emergency care facility.

NEAREST EMERGENCY SERVICES TO CLOSED HOSPITALS		
DISTANCE	NUMBER OF CLOSED HOSPITALS	
	Rural	Urban
Within 3 Miles	9 (25%)	14 (67%)
4-10 Miles	4 (11%)	3 (14%)
11-20 Miles	14 (39%)	4 (19%)
21-30 Miles	7 (19%)	0 (0%)
More than 30 Miles	2 (6%)	0 (0%)
Totals	36 (100%)	21 (100%)

What Is the Building Used For Now

At the time of our review, 32 of the 57 closed hospital buildings (56 percent) were being used for health-related services. For example:

- ▶ Prairie Community Hospital in Terry, Montana was converted to a Medical Assistance Facility. It provides 24-hour emergency services, outpatient care and up to 4 days of inpatient care.
- ▶ Enterprise Hospital in Enterprise, Alabama and Heron Lake Municipal Hospital in Heron Lake, Minnesota became nursing homes.
- ▶ Yolo General Hospital in Woodland, California was converted to an outpatient and urgent care clinic.
- ▶ St. Dominics Hospital in Jackson, Mississippi purchased Doctors Hospital located across the street. The Doctors Hospital facility closed for general acute care and currently offers chemical dependency services.
- ▶ Martha Washington Hospital in Chicago, Illinois was purchased by nearby Ravenswood Hospital and converted to a mental health facility.

The following chart illustrates the use of all 57 hospital facilities after closure in 1991.

USE OF CLOSED HOSPITALS		
USE OF BUILDING	NUMBER OF FORMER HOSPITALS*	
	Rural	Urban
Specialty Treatment Facility (e.g. chemical dependency)	0	2
Reopened Hospital	0	2
Long Term Care Facility	11	2
Outpatient Services/Clinic	12	5
Offices	4	1
Vacant	15	10

*Duplicate count. In 5 of the 57 former hospitals more than 1 service is now offered.

At the time of our review, plans were being made to use 10 of the remaining 25 vacant hospitals for health-related services. For example, Southwest Dallas Hospital in Dallas, Texas will be converted to a psychiatric hospital. Also, plans were being made for four of the closed facilities to reopen as acute care hospitals.

FOLLOW-UP STUDY

The OIG is gathering data on actions that rural communities can take to maintain access to medical care in the face of hospital closure. The study will identify and describe a variety of initiatives local communities have developed and implemented to maintain or even improve access to health care services after a hospital has closed.

A report summarizing the successful initiatives to meet health care needs after a hospital closes will provide useful models other communities could emulate when faced with the same problem.

SUMMARY

Fifty-seven hospitals closed in 1991, one more than in the previous year. Their characteristics were very similar to hospitals that closed in 1987, 1988, 1989 and 1990. Most hospitals that closed in 1991 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 rural and urban 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 of Hospital Closure

To determine how many hospitals closed in 1991, we surveyed State licensing and certification agencies, State hospital associations and State health planning agencies. We also compiled Health Care Financing Administration (HCFA) data on terminated providers in 1991. When a closed hospital met the study's definition or when there were questions, we contacted officials associated with the closed hospitals, officials associated with hospitals nearest to the closed hospital and local public officials.

To determine the number of hospitals in the United States, we used the Hospital Cost Report Information System (HCRIS) maintained by HCFA. We included only general, short-term, acute care hospitals under Medicare's Prospective Payment System (PPS) in the universe. There were 5,334 hospitals listed on HCRIS as short-term, acute care, general hospitals for the seventh year of PPS (PPS 7).

Characteristics of Hospital Closure

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 1991 and its accounting year was on a January-December cycle, we used the provider's January 1, 1990 to December 31, 1990 report.

Impact of Hospital Closure

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

1991 HOSPITAL CLOSURES			
State	Total Closures	Rural Closures	Urban Closures
Texas	8	3	5
Minnesota	6	6	0
California	5	0	5
Mississippi	5	4	1
Missouri	4	4	0
Kansas	3	3	0
North Dakota	3	3	0
Alabama	2	1	1
Michigan	2	1	1
Illinois	2	0	2
Arkansas	1	1	0
Colorado	1	1	0
Dist. of Columbia	1	0	1
Florida	1	0	1
Georgia	1	1	0
Iowa	1	1	0
Kentucky	1	1	0
Massachusetts	1	0	1
Maryland	1	0	1
Montana	1	1	0
Nebraska	1	1	0
Oklahoma	1	1	0
Oregon	1	1	0
Pennsylvania	1	0	1
South Carolina	1	0	1
South Dakota	1	1	0
Tennessee	1	1	0
27 States	57 Closures	36 Rural	21 Urban

APPENDIX C

1991 HOSPITAL CLOSURES BY NAME AND LOCATION

Hospital Name	City	State	Rural/ Urban
Enterprise Hospital	Enterprise	AL	rural
Piedmont Hospital and Nursing Home	Piedmont	AL	urban
Corning Community Hospital	Corning	AR	rural
Christian Hospital Medical Center	Perris	CA	urban
Dominguez Medical Center	Long Beach	CA	urban
Linda Vista Community Hospital	Los Angeles	CA	urban
San Diego General Hospital	San Diego	CA	urban
Yolo General Hospital	Woodland	CA	urban
St. Joseph Hospital	Florence	CO	rural
Capitol Hill Hospital	Washington	DC	urban
Humana Hospital-South Broward	Hollywood	FL	urban
Marion Memorial Hospital	Buena Vista	GA	rural
John McDonald Hospital	Monticello	IA	rural
Lakeside Community Hospital	Chicago	IL	urban
Martha Washington Hospital	Chicago	IL	urban
Attica District Hospital One	Attica	KS	rural
Baxter Memorial Hospital	Baxter Springs	KS	rural
St. Mary's Health Center	Emporia	KS	rural
Casey County War Memorial Hospital	Liberty	KY	rural
Worcester Health and Hospital Authority	Worcester	MA	urban
Homewood Hospital Center South	Baltimore	MD	urban
Southwest Detroit Hospital	Detroit	MI	urban
Tri-County Community Hospital	Edmore	MI	rural
Greenbush Community Hospital	Greenbush	MN	rural
Heron Lake Municipal Hospital	Heron Lake	MN	rural
Mountain Lake Community Hospital	Mountain Lake	MN	rural
Parkers Prairie District Hospital	Parkers Prairie	MN	rural
Trimont Community Hospital	Trimont	MN	rural
Fairview Milica Hospital	Milica	MN	rural
Dade County Memorial Hospital	Lockwood	MO	rural
Mercy Hospital	Mansfield	MO	rural
Chaffee General Hospital	Chaffee	MO	rural
Community Hospital	Sweet Springs	MO	rural
Community Hospital of Calhoun County	Pittsboro	MS	rural
Doctors Hospital	Jackson	MS	urban

1991 HOSPITAL CLOSURES BY NAME AND LOCATION (cont.)

Hospital Name	City	State	Rural/ Urban
Greene County Hospital	Leakesville	MS	rural
Tunica County Hospital	Tunica	MS	rural
Baldwyn Satellite Unit	Baldwyn	MS	rural
Prairie Community Hospital	Terry	MT	rural
City Hospital	New Rockford	ND	rural
Golden Valley County Hospital	Beach	ND	rural
St. Gerard's Community Hospital	Hankinson	ND	rural
Fullerton Memorial Hospital	Fullerton	NE	rural
Wewoka Memorial Hospital	Wewoka	OK	rural
Mercy Forest Glen Hospital	Canyonville	OR	rural
Philipsburg State General Hospital	Philipsburg	PA	urban
Divine Saviour Hospital	York	SC	urban
Methodist Hospital	Mitchell	SD	rural
Forum Hospital Trenton	Trenton	TN	rural
Caprock Hospital District	Floydada	TX	rural
Childress General Hospital	Goldthwaite	TX	rural
Community Hospital of Tyler	Tyler	TX	urban
Mesquite Physicians Hospital	Mesquite	TX	urban
Southwest Dallas Hospital	Dallas	TX	urban
West Texas Hospital	Lubbock	TX	urban
Winter Garden Medical Center	Dilley	TX	rural
Lutheran General Hospital	San Antonio	TX	urban