

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

HOSPITAL CLOSURE: 1992



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EXECUTIVE SUMMARY

PURPOSE

To describe the extent, characteristics and impact of hospital closure in **1992**.

BACKGROUND

The closure of hospitals in recent years has generated public and congressional concern. According to a number of 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 hospital closure in **1988, 1989, 1990** and **1991**.

The findings from the previous OIG annual 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 closure in **1992** produced findings similar to those previously reported for **1987-1991**.

- ▶ Fifty general, acute care hospitals closed, continuing a downward trend in the annual number of closures. They were located in **24** States. Seven new general, acute care hospitals opened in **1992**.
- ▶ Twenty-six of the closed hospitals were rural and **24** were urban.
- ▶ Closed hospitals in both rural and urban areas were much smaller than the national averages.

Rural hospitals that closed had an average size of 33 beds compared to an average of **77** beds for all rural hospitals nationally.

Urban hospitals that closed had an average size of **87** beds compared to an average of **236** 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 **26** percent compared to an average of **36** percent for all rural hospitals nationally.

Urban hospitals that closed had an average occupancy rate of **30** percent compared to an average of **55** percent for all urban hospitals nationally.

- For rural hospitals that closed, the average daily census in the year prior to closure was nine patients. The urban hospitals that closed had an average daily census of **26** patients.

- ▶ Medicare utilization among urban hospitals that closed differed slightly from national averages.

In urban areas, the average Medicare utilization among hospitals that closed was slightly higher than the urban national average (**49.4** percent vs. **46.7** percent).

In rural areas, no significant differences existed in the average Medicare utilization among hospitals that closed and all rural hospitals nationally.

- Medicaid utilization among rural and urban hospitals that closed also differed slightly from national averages.

In urban areas, the average Medicaid utilization among hospitals that closed was slightly higher than the urban national average (**13.9** percent vs. **12.8** percent).

In rural areas, the average Medicaid utilization among hospitals that closed was lower than the rural national average (**9.3** percent vs. **13** percent).

- ▶ 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, **27** of the **50** closed hospital facilities (**54** percent) were being used for health-related services. Also, plans were being made for using **8** of the remaining **23** vacant hospitals for health-related services.

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INTRODUCTION

PURPOSE

To describe the extent, characteristics and impact of hospital closure in **1992**.

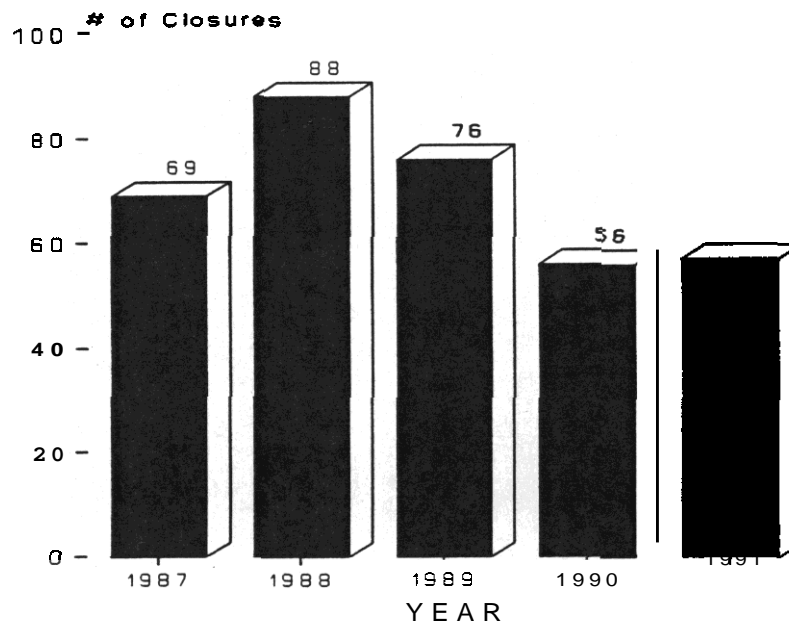
BACKGROUND

In the past several years, the closure of general, acute care hospitals has generated public and congressional concern. According to a number of 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**. Following that inspection, many health policy officials in both the executive and legislative branches of the Federal government encouraged us to continue analysis of the phenomenon. They expressed interest in detecting differences in the (1) rate of hospital closure, (2) characteristics of hospitals that close, and (3) impact of their closing.

Similar inspections of the phenomenon of hospital closure in **1988** through **1991** showed a downward trend in the number of closures.

HOSPITAL CLOSURE



The findings from the **1987, 1988, 1989, 1990** and **1991** 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 **1992**.

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 **1992**. 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 1992, 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 **1992** 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 **1992** showed that:

- ▶ Fifty general, acute care hospitals closed in **1992**, continuing a downward trend in the annual number of closures.
- ▶ 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 **1992**, there were **5,243** general, short-term, acute care hospitals in the United States entered on HCFA's data base as participating in the Medicare program. Fifty hospitals closed in **1992** -- about **1** percent of all hospitals nationally. Seven fewer hospitals closed in 1992 than in the previous year.

HOSPITALS IN THE U.S.:	5,243
CLOSED IN 1992:	50 (0.96%)

When they closed, the general, acute care inpatient bed supply was reduced by **2,934** beds, or **0.3** percent.

Where Were They

The closed hospitals were located in **24** States. Florida had the greatest number of closures (**5**), followed by California (**4**), Mississippi (**4**), Texas (**4**), Pennsylvania (**3**) and Tennessee (**3**). Nine States had two closures each and the remaining nine 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 (**1.1 percent**) closed in **1992** than did urban hospitals (0.8 percent).

	RURAL	URBAN
HOSPITALS IN THE U.S.:	2,348	2,895
CLOSED IN 1992:	26 (1.1%)	24 (0.8%)

How Many Opened

While **50** hospitals closed in **1992**, 7 new general, acute care hospitals opened, adding **266** beds to the national supply of beds.

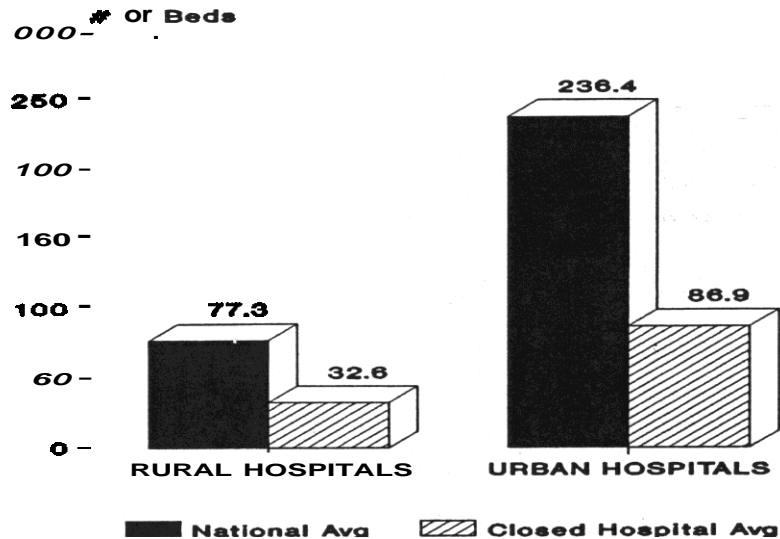
What Were the Closed Hospitals Like

Size: Hospitals that closed in **1992** were small. More than half the hospitals that closed (60 percent) had fewer than 50 beds.

Number of Beds	Number of Closed Hospitals			Percent
	Rural	Urban	Total	
0 - 29	16	4	20	40
30 - 49	6	4	10	20
50 - 99	4	5	9	18
100- 199	0	11	11	22
200-299	0	0	0	0
300 >	0	0	0	0
TOTALS	26	24	50	100

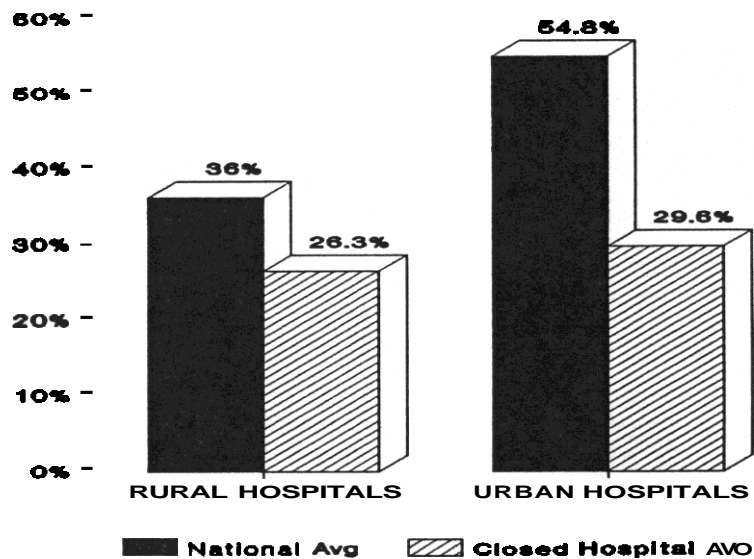
Both the rural and urban hospitals that closed in 1992 were considerably smaller than the average *size* of rural and urban general, acute care hospitals nationally.

HOSPITALS THAT CLOSED WERE SMALL



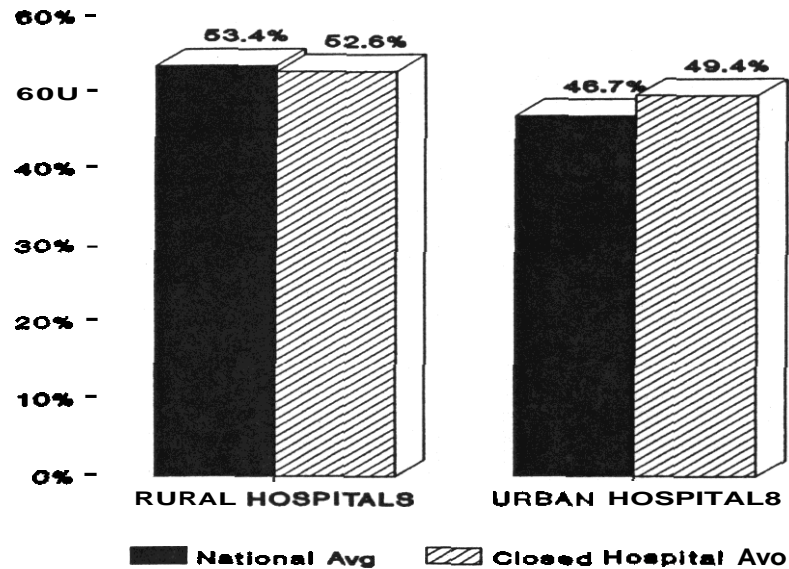
Occupancy: Occupancy rates for closed rural and urban hospitals were lower than the national averages.¹

OCCUPANCY RATES WERE LOW



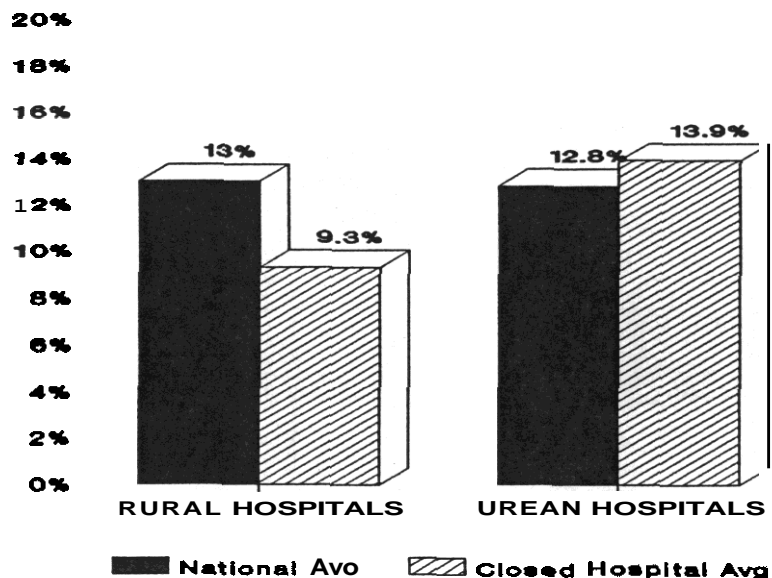
Medicare Utilization: In urban areas, the average Medicare utilization among hospitals that closed was slightly higher than the urban national average (49.4 percent vs. 46.7 percent). No significant differences existed in the average Medicare utilization among rural hospitals that closed and all rural hospitals nationally?

MEDICARE UTILIZATION



Medicaid Utilization: In rural areas, the average Medicaid utilization among hospitals that closed was lower than the rural national average (9.3 percent vs. 13 percent). In urban areas, the average Medicaid utilization among hospitals that closed was slightly higher than the urban national average (13.9 percent vs. 12.8 percent)?

MEDICAID UTILIZATION



IMPACT OF HOSPITAL CLOSURE

In communities where hospitals closed in 1992, 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 1992, the average daily census in the year prior to closure was nine patients. The urban hospitals that closed had an average daily census of 26 patients.

WHEN HOSPITALS CLOSED, HOW MANY PATIENTS WERE AFFECTED?		
	Rural Hospitals	Urban Hospitals
Average Number of Beds	32.6	86.9
Average Occupancy Rate	<u>x 26.3%</u>	<u>x 29.6%</u>
Average Number of Patients	8.6	25.7

We analyzed Medicare utilization data to determine the number of elderly patients affected by hospital closure in 1992. In rural hospitals that closed, five Medicare patients were in the hospital on an average day in the year prior to closure. In the urban hospitals that closed, there were 13 Medicare patients on an average day.

WHEN HOSPITALS CLOSED, HOW MANY MEDICARE PATIENTS WERE AFFECTED?		
	Rural Hospitals	Urban Hospitals
Average Patient Census	8.6	25.7
Average Medicare Utilization Rate	<u>x 52.6%</u>	<u>x 49.4%</u>
Average Number Medicare Patients	4.5	12.7

Are I . 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 **1992**, inpatient hospital care was available nearby.

Rural Areas: Residents in **16** of the **26** rural communities (**62** percent) where a hospital closed could get inpatient hospital care within **20** miles of the closed hospital.

Residents of **3** rural communities had to travel more than **30** miles for inpatient hospital care:

Holbrook, Arizona	32 miles
Big Timber, Montana	35 miles
Culbertson, Montana	38 miles

The frontier community of Culbertson, Montana converted its closed hospital into a Medical Assistance Facility (MAF). The MAF facility provides up to four days of limited inpatient services. The community of Big Timber, Montana is planning to do the same.

Urban Areas: In all but **3** of the **24** urban communities where a hospital closed in **1992**, residents could get inpatient hospital care within **10** miles of the closed hospital. Residents of one community who lost their hospital must travel over **20** miles for inpatient care. For Snoqualmie, Washington the nearest hospital is **now** located **25** miles away in Bellevue.

NEAREST INPATIENT CARE TO CLOSED HOSPITALS		
DISTANCE	NUMBER OF CLOSED HOSPITALS	
	Rural	Urban
Within 3 Miles	2 (8%)	13 (54%)
11-20 Miles	10 (38%)	2 (9%)
21-30 Miles	7 (27%)	1 (4%)
More than 30 Miles	3 (12%)	0 (0%)
Totals	26 (100%)	24 (100%)

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

Rural Areas: For residents in **21** of **26** rural communities (**81** percent) where hospitals closed in **1992**, emergency care facilities were available within 20 miles of the closed hospitals. Residents of one community must travel more than **30** miles for **24-hour** emergency care. In Holbrook, Arizona the nearest emergency care is located **32** miles away in Winslow. However, Holbrook has an outpatient clinic and a physician.

Urban Areas: In **22** of **24** urban communities (**92** percent) where a hospital closed in **1992**, emergency care facilities were within 10 miles from the closed hospital. The remaining **2** 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 (35%)	16 (67%)
4-10 Miles	3 (11%)	6 (25%)
11-20 Miles	9 (35%)	2 (8%)
21-30 Miles	4 (15%)	0 (0%)
More than 30 Miles	1 (4%)	0 (0%)
Totals	26 (100%)	24 (100%)

What *is* the Building Used For Now

At the time of our review, **27** of the **50** closed hospital buildings (**54** percent) were being used for health-related services. For example:

- ▶ Pierce County Hospital in Blackshear, Georgia and Community Memorial Hospital in Hartley, Iowa became nursing homes.
- ▶ North Gables Hospital in Coral Gables, Florida and Lakeside Hospital in Kansas City, Missouri are now long term care hospitals.
- ▶ Deering Hospital in Miami, Florida closed due to damage as a result of Hurricane Andrew. The hospital was rebuilt and re-opened in April, **1993**.

- McFarland Hospital in Lebanon, Tennessee is now McFarland Specialty Hospital. It was converted to an alcohol and drug rehabilitation facility.
- The hospital in Culbertson Montana was converted to a Medical Assistance Facility. In addition to providing limited inpatient care, it provides 24-hour emergency services and outpatient care. The Office of Inspector General released a report on *Medical Assistance Facilities* (OEI-04-92-00731) in July, 1993.

The following chart illustrates the use of all 50 hospital facilities after closure in 1992.

USE OF CLOSED HOSPITALS		
USE OF BUILDING	NUMBER OF FORMER HOSPITALS'	
	Rural	Urban
Specialty Treatment Facility (e.g. chemical dependency)	2	4
Reopened Hospital	1	1
Long Term Care Facility	2	2
Outpatient Services/Clinic	8	9
Offices	1	1

*Duplicate count. In 4 of the 50 former hospitals more than 1 service is now offered.

At the time of our review, plans were being made to use 8 of the remaining 23 vacant hospitals for health-related services. For example, Umpqua Valley Community Hospital in Myrtle Creek, Oregon will be converted to a home for the elderly. North Claiborne hospital in Haynesville, Louisiana will be converted to an adolescent psychiatric facility. Also, plans were being made for five of the closed facilities to reopen as acute care hospitals.

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 **1992**, 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 **1992**. 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 **5,243** hospitals listed on HCRIS as short-term, acute care, general hospitals for the eighth year of PPS (PPS 8).

Characteristics of Hospital Closure

To analyze characteristics of closed hospitals, we used HCFA's HCRIS data. Cost reports were not available for 1 of the 50 closed hospitals because they reported to Medicare as part of a corporate system, rather than as an individual hospital in the year prior to closure. For the remaining **49** hospitals, we used the latest pre-closure cost reports. For example, if a hospital closed in May **1992** and its accounting year was on a January-December cycle, we used the provider's January **1, 1991** to December **31, 1991** 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

1992 HOSPITAL CLOSURES - RANKED BY STATE			
State	Total Closures	Rural Closures	Urban Closures
Florida	5	1	4
California	4	1	3
Mississippi	4	4	0
Texas	4	1	3
Pennsylvania	3	0	3
Tennessee	3	2	1
Arkansas	2	2	0
Georgia	2	2	0
Iowa	2	2	0
Kansas	2	2	0
Michigan	2	0	2
Montana	2	2	0
New York	2	1	1
Oregon	2	1	1
Washington	2	0	2
Alabama	1	1	0
Arizona	1	1	0
Louisiana	1	1	0
Minnesota	1	1	0
Missouri	1	0	1
New Jersey	1	0	1
South Dakota	1	1	0
Virginia	1	0	1
West Virginia	1	0	1
24 States	50 Closures	26 Rural	24 Urban

APPENDIX C

1992 HOSPITAL CLOSURES BY NAME AND LOCATION

Hospital Name	City	State	Rural/ Urban
Abernethy Memorial Hospital	Flomaton	AL	rural
Bull Shoals Community Hospital	Bull Shoals	AR	rural
Huntsville Memorial Hospital	Huntsville	AR	rural
Community General Hospital	Holbrook	AZ	rural
Pico Rivera Community Hospital	Pico Rivera	CA	urban
Avenal District Hospital	Avenal	CA	rural
Medical Center of La Mirada	La Mirada	CA	urban
Suncrest Hospital of Orange County	Stanton	CA	urban
Clay Memorial Hospital	Green Cove Springs	FL	urban
North Gables Hospital	Coral Gables	FL	urban
Hardee Memorial Hospital	Wauchula	FL	rural
Deering Hospital	Miami	FL	urban
University Hospital and Clinic	Pensacola	FL	urban
Crest Medical Center, Rockmart-Aragon	Rockmart	GA	rural
Pierce County Hospital	Blackshear	GA	rural
Community Memorial Hospital	Hartley	IA	rural
Forest City Community Hospital	Forest City	IA	rural
Spearville District Hospital	Spearville	Ks	rural
St. John Primary Care Hospital	St. John	Ks	rural
North Claiborne Hospital	Haynesville	LA	rural
Doctors Hospital	Detroit	MI	urban
Detroit Osteopathic Hospital	Highland Park	MI	urban
Wells Hospital	Wells	MN	rural
Lakeside Hospital	Kansas City	MO	urban
Madden Community Hospital	Madden	MS	rural
Shelby Community Hospital	Shelby	MS	rural
Smith County General Hospital	Raliegh	MS	rural
Methodist Hospital of Stone County	Wiggins	MS	rural
Roosevelt Memorial Hospital	Culbertson	MT	rural
Sweet Grass Community Hospital	Big Timber	MT	rural
Kennedy Memorial Hospital of Saddle Brook	Saddle Brook	NJ	urban
Columbia-Greene Medical Center	Catskill	NY	rural
St. Francis Hospital of Buffalo	Buffalo	NY	urban

1992 HOSPITAL CLOSURES BY NAME AND LOCATION (cont.)

Hospital Name	City	State	Rural/ Urban
Holladay Park Medical Center	Portland	OR	urban
Umpqua Valley Community Hospital	Myrtle Creek	OR	rural
Medical College Hospital/Lawndale Division	Philadelphia	PA	urban
Carbondale General Hospital	Carbondale	PA	urban
Westmoreland McGinnis Hospital	Ligonier	PA	urban
Estelline Community Hospital	Estelline	SD	rural
Hancock County Hospital	Sneedville	TN	rural
Humana Hospital-McFarland	Lebanon	TN	urban
Warren Regional Hospital	McMinnville	TN	rural
Gulf Coast Hospital	Baytown	TX	urban
Medical Center - Gladewater	Gladewater	TX	urban
Bridgeport Hospital	Bridgeport	TX	rural
Lake Cliff Hospital	Dallas	TX	urban
Jefferson Hospital	Alexandria	VA	urban
Snoqualmie Valley Hospital	Snoqualmie	WA	urban
Community Hospital	Yakima	WA	urban
Doctors Hospital	South Charleston	WV	urban