

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

HOSPITAL CLOSURE: 1995



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EXECUTIVE SUMMARY

PURPOSE

To describe the extent, characteristics, and impact of hospital closure in 1995.

BACKGROUND

The closure of hospitals in past years had generated public and congressional concern. We released a report in May 1989 describing the nationwide phenomenon of hospital closure in 1987. We issued subsequent annual reports in 1988 through 1994.

The findings from all the OIG studies of hospital closure are 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 1995 produced findings similar to those previously reported for 1987-1994.

- ▶ Thirty-seven general, acute care hospitals closed. This is twenty-one more than in 1994 but still less than in any other year since we began this series of reports. Four new general, acute care hospitals opened in 1995, and one hospital that closed in 1991 reopened in 1995.
- ▶ Thirteen of the closed hospitals were rural and 24 were urban.
- ▶ Closed hospitals in both rural and urban areas were smaller than the national averages.

Rural hospitals that closed had an average of 46 beds as compared to an average of 74 beds for all rural hospitals nationally.

Urban hospitals that closed had an average of 110 beds as compared to an average of 228 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 21.8 percent as compared to an average of 33.8 percent for all rural hospitals nationally. The average daily census in the year prior to closure was about 10 patients.

Urban hospitals that closed had an average occupancy rate of 37.2 percent as compared to an average of 50.2 percent for all urban hospitals nationally. The average daily census in the year prior to closure was 41 patients.

- ▶ **Medicare utilization among hospitals that closed was slightly more than the national average.**

In rural areas, the average Medicare utilization among hospitals that closed was 58.1 percent compared to an average of 57.1 percent for all rural hospitals nationally. About 6 Medicare patients were in the hospital on an average day in the year prior to closure.

In urban areas, the average Medicare utilization among hospitals that closed was 54.6 percent compared to an average of 48.8 percent for all urban hospitals nationally. About 22 Medicare patients were in the hospital on an average day in the year prior to closure.

- ▶ **Medicaid utilization among hospitals that closed was less than the national average.**

In rural areas, the average Medicaid utilization among hospitals that closed was 7.8 percent as compared to an average of 11.9 percent for all hospitals nationally.

In urban areas, the average Medicaid utilization among hospitals that closed was 10.9 percent as compared to an average of 13.9 percent for all urban 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 10 miles of a closed hospital.**
- ▶ **At the time of our inspection, 17 of the 37 closed hospital facilities (46 percent) were being used for health-related services. Also, plans were being made to use 3 of the remaining 17 vacant hospitals for health-related services.**

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INTRODUCTION

PURPOSE

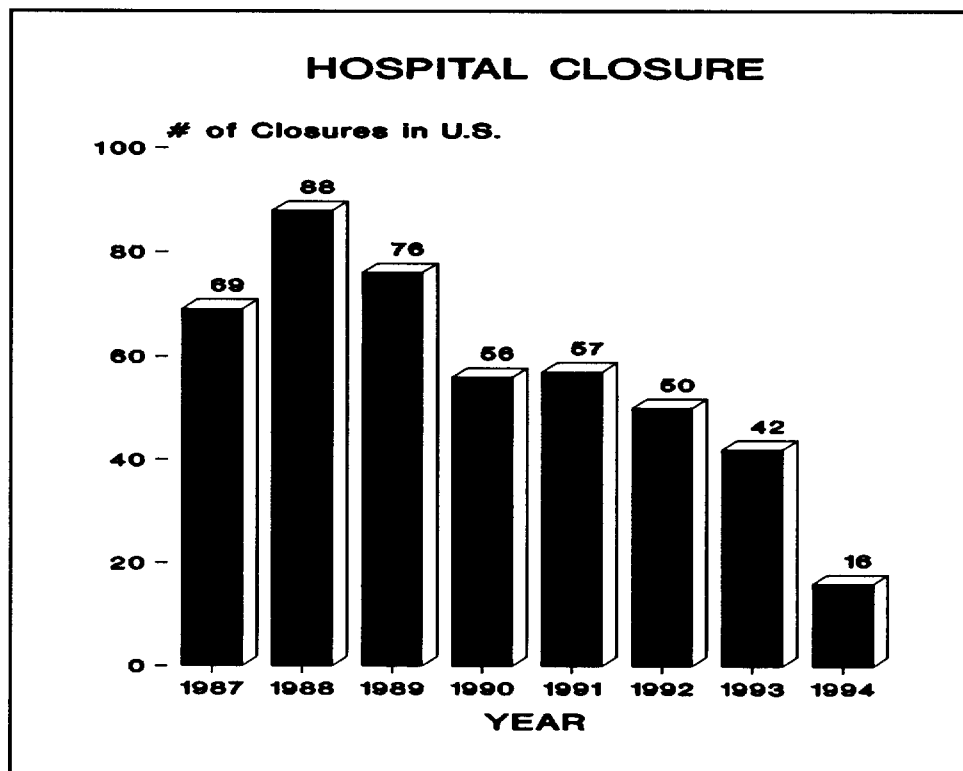
To describe the extent, characteristics, and impact of hospital closure in 1995.

BACKGROUND

In the past, closure of general, acute care hospitals had generated public and congressional concern. Numerous questions had been raised about the impact of hospital closure in the United States, as well as implications for public policy. A number of studies predicted that more hospitals would close in coming years.

In response to these concerns, the Office of Inspector General released a report in May 1989 describing the phenomenon of hospital closure during 1987 in the United States. We found that the hospitals that closed were small and their closing did not severely affect access to care. Many users of our 1987 hospital closure study encouraged us to continue year-by-year analyses 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 the phenomenon of hospital closure in 1988 through 1994 showed a downward trend in the number of closures.



The findings from the 1987 through 1994 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 1995.

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 1995. If a hospital merged with or was sold to another hospital but the physical plant continued to provide inpatient acute care, it was not considered a closure. If a hospital both closed and reopened in 1995, 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 1995 from the Hospital Cost Report Information System (HCRIS) maintained by HCFA.

Appendix A describes our methodology in further detail.

We conducted our review in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

FINDINGS

Our analysis shows that:

- ▶ Thirty-seven general, acute care hospitals closed in 1995. This is twenty-one more than in 1994, but still less than in any other year since we began this series of reports.
- ▶ Most hospitals that closed were small and had low occupancy rates.
- ▶ Although residents of a few communities had to travel greater distances for hospital care, most had emergency and inpatient medical care available within 10 miles of a closed hospital.

EXTENT AND CHARACTERISTICS OF CLOSED HOSPITALS

How Many Closed

In 1995, there were 4,711 general, short-term, acute care hospitals in the United States entered on HCFA's data base as participating in the Medicare program. Thirty-seven hospitals closed in 1995 -- 0.8 percent of all hospitals nationally.

HOSPITALS IN THE U.S.:	4,711
CLOSED IN 1995:	37 (0.8%)

Closure of the 37 general, acute care hospitals reduced inpatient bed supply by 3,238 beds, or 0.4 percent.

While 37 hospitals closed in 1995, 4 new general, acute care hospitals *opened*, adding 702 beds to the national supply of beds. In addition to the new hospital openings, 1 previously closed hospital *reopened* in 1995, adding another 23 beds.

Where Were They

The closed hospitals were located in 20 States. Texas had the greatest number of closures (11), followed by Louisiana (3). Five States had two closures each, and the remaining 13 States had 1 closure each. Appendix B lists the number of hospital closures by State. Appendix C lists the closures by hospital name and location.

About the same percentage of rural and urban hospitals closed in 1995.

	RURAL	URBAN
HOSPITALS IN THE U.S.:	2,141	2,570
CLOSED IN 1995:	13 (0.6%)	24 (0.9%)

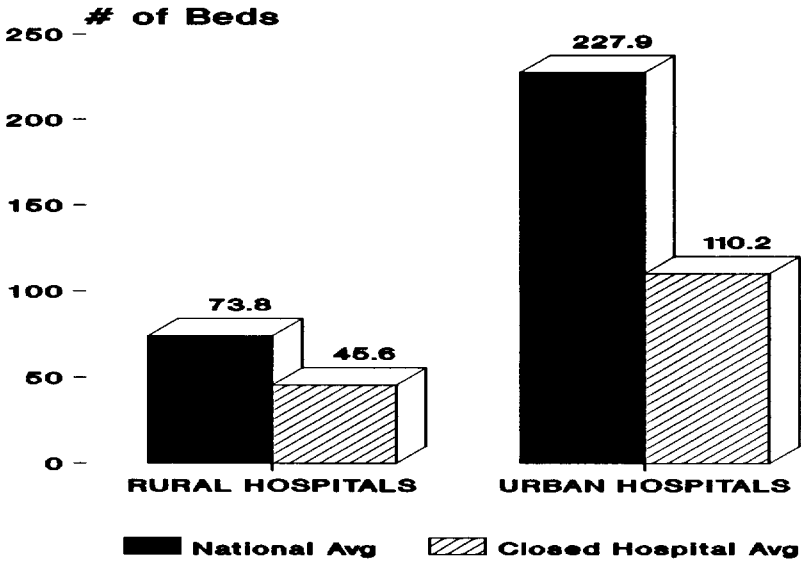
What Were the Closed Hospitals Like

Size: Hospitals that closed in 1995 were small.

SIZE OF CLOSED HOSPITALS			
Number of Beds	Number of Closed Hospitals		
	Rural	Urban	Total
0 - 30	3	1	4 (11%)
31 - 50	7	4	11 (30%)
51 - 100	2	7	9 (24%)
101 - 200	1	9	10 (27%)
201 - 300	0	3	3 (8%)
301 >	0	0	0
Totals	13	24	37

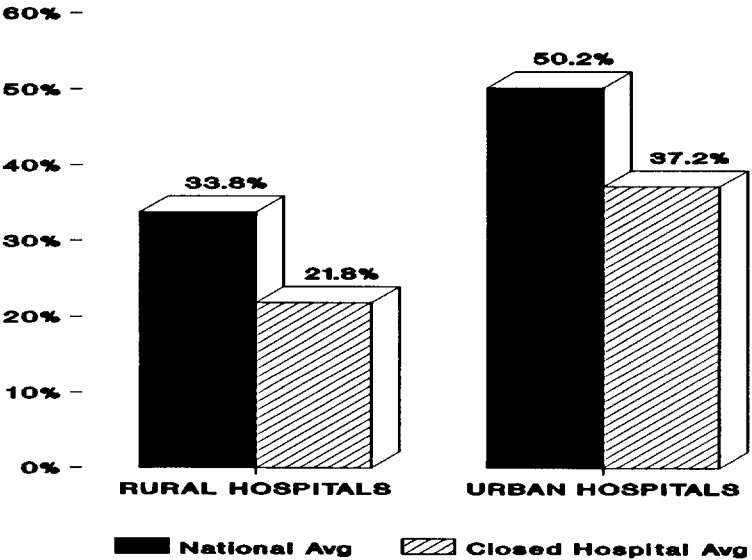
Both the rural and urban hospitals that closed in 1995 were smaller than the average size of rural and urban general, acute care hospitals nationally.

HOSPITALS THAT CLOSED WERE SMALL



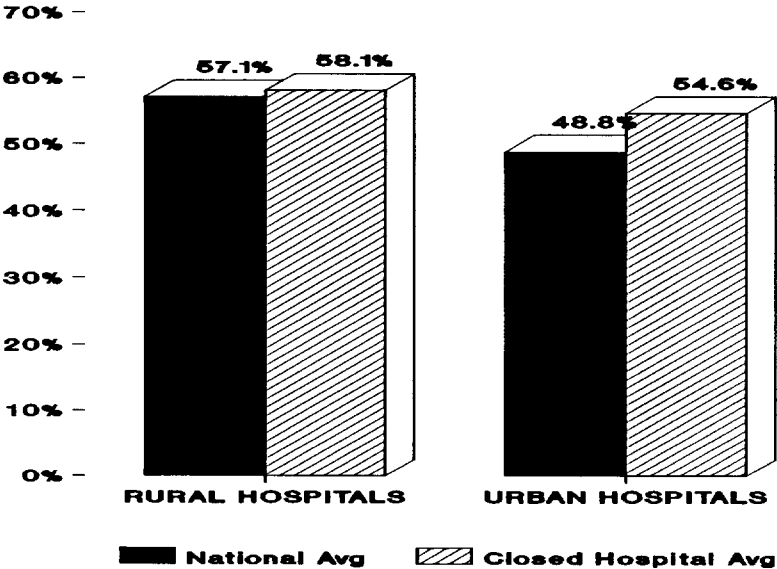
Occupancy: Occupancy rates for closed rural and urban hospitals were lower than the national averages.¹

OCCUPANCY RATES WERE LOW



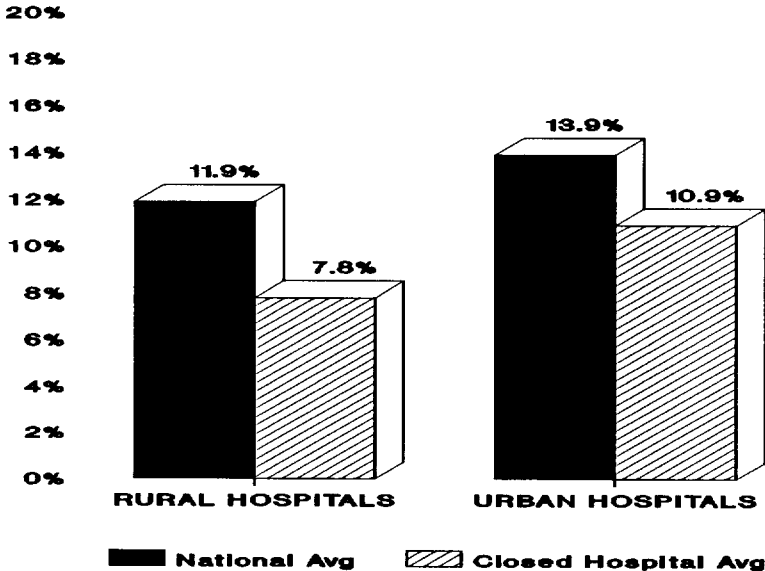
Medicare Utilization: The average Medicare utilization among rural hospitals that closed was about the same as rural hospitals nationally. The average Medicare utilization among urban hospitals that closed was higher than the national average.²

MEDICARE UTILIZATION



Medicaid Utilization: In both rural and urban areas, the average Medicaid utilization among hospitals that closed was lower than the national averages.³

MEDICAID UTILIZATION



IMPACT OF HOSPITAL CLOSURE

In communities where hospitals closed in 1995, we assessed the

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

How Many Patients Were Affected

For rural hospitals that closed in 1995, the average daily census in the year prior to closure was about 10 patients. The urban hospitals that closed had an average daily census of 41 patients.

WHEN HOSPITALS CLOSED, HOW MANY PATIENTS WERE AFFECTED?		
	Rural Hospitals	Urban Hospitals
Average Number of Beds	45.6	110.2
Average Occupancy Rate	<u>x 21.8%</u>	<u>x 37.2%</u>
Average Number of Patients	9.9	41.0

We analyzed Medicare utilization data to determine the number of elderly patients affected by hospital closure in 1995. In rural hospitals that closed, about 6 Medicare patients were in the hospital on an average day in the year prior to closure. In the urban hospitals that closed, about 22 Medicare patients were in the hospital on an average day.

WHEN HOSPITALS CLOSED, HOW MANY MEDICARE PATIENTS WERE AFFECTED?		
	Rural Hospitals	Urban Hospitals
Average Patient Census	9.9	41.0
Average Medicare Utilization Rate	<u>x 58.1%</u>	<u>x 54.6%</u>
Average Number Medicare Patients	5.8	22.4

Are Inpatient Care And Emergency Services Available

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

Inpatient Care: In most communities where a hospital closed in 1995, inpatient hospital care was available nearby.

NEAREST INPATIENT CARE TO CLOSED HOSPITALS		
DISTANCE	NUMBER OF CLOSED HOSPITALS	
	Rural	Urban
Within 3 Miles	1 (8%)	12 (50%)
4-10 Miles	3 (23%)	12 (50%)
11-20 Miles	6 (46%)	0
21-30 Miles	2 (15%)	0
More than 30 Miles	1 (8%)	0
Totals	13 (100%)	24 (100%)

Rural Areas: Residents in 10 of the 13 rural communities (77 percent) where a hospital closed could get inpatient hospital care within 20 miles of the closed hospital. Residents of Falfurrias, Texas had to travel 36 miles for *full service* inpatient hospital care.

Urban Areas: In all 24 urban communities where a hospital closed in 1995, residents could get inpatient hospital care within 10 miles of the closed hospital. Nineteen of the 24 urban communities (79 percent) where a hospital closed could get inpatient care in the same town.

Emergency Services: When a hospital closed, the community lost not only inpatient beds, but also 24-hour emergency services.

Rural Areas: In 12 of the 13 rural communities (92 percent) where a hospital closed in 1994, emergency care facilities were available within 20 miles of the closed hospital. Residents of Karlstad, Minnesota had to travel 28 miles for 24-hour emergency care.

Urban Areas: In all 24 urban communities where a hospital closed in 1995, emergency care facilities were available within 10 miles of the closed hospital. Nineteen of the 24 urban communities (79 percent) where a hospital closed could get emergency services in the same town.

NEAREST EMERGENCY SERVICES TO CLOSED HOSPITALS		
DISTANCE	NUMBER OF CLOSED HOSPITALS	
	Rural	Urban
Within 3 Miles	3 (23%)	12 (50%)
4-10 Miles	3 (23%)	12 (50%)
11-20 Miles	6 (46%)	0
21-30 Miles	1 (8%)	0
More than 30 Miles	0	0
Totals	13 (100%)	24 (100%)

What Is the Building Used For Now

At the time of our review, 17 of the 37 closed hospital buildings (46 percent) were being used for health-related services. For example:

- ▶ Brooks County Hospital in Falfurrias, Texas became an outpatient clinic and emergency care facility.
- ▶ Fairbury Hospital in Fairbury, Illinois and Merryville General Hospital in Merryville, Louisiana are now nursing homes.
- ▶ Ludlow Hospital in Ludlow, Massachusetts and Caddo Oaks Medical Center in Shreveport, Louisiana were converted to rehabilitation hospitals.
- ▶ Alamance Memorial Hospital in Burlington, North Carolina is now a home health agency.

Some hospital administrations and communities have long realized the possibility of their hospitals closing. They planned to use the closing as an opportunity to reassess and improve community health care. Two hospitals closed in 1995 as part of a plan to upgrade community hospital care: In Burlington, North Carolina, Alamance Memorial Hospital and Alamance County Hospital merged and closed the existing two facilities and the new modern Alamance Regional Medical Center opened.

At the time of our review, community officials were planning to use 3 of the remaining 17 vacant hospitals for health-related services. Vencor Hospital in Youngtown, Arizona will be converted to a nursing home and Family Hospital Center in Amarillo, Texas plan to re-open. Menorah Medical Center in Kansas City, Missouri will be used for scientific research related to cancer.

ENDNOTES

1. Hospital occupancy rate is defined as the actual number of patient days divided by the total bed days available. National average 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 1995, 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 1995. 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 4,711 hospitals listed on HCRIS as short-term, acute care, general hospitals for the eleventh year of PPS (PPS 11).

Characteristics of Hospital Closure

To analyze characteristics of closed hospitals, we used HCRIS data. Cost reports were not available for 2 of the 37 hospitals. For the remaining 35 hospitals, we used the latest pre-closure cost reports. For example, if a hospital closed in May 1995 and its accounting year was on a January-December cycle, we used the provider's January 1, 1994 to December 31, 1994 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, health, and government officials
- ▶ State health planning agencies
- ▶ State certification and licensing agencies
- ▶ State hospital associations

APPENDIX B

1995 HOSPITAL CLOSURES - RANKED BY STATE			
State	Total Closures	Rural Closures	Urban Closures
Texas	11	3	8
Louisiana	3	1	2
Arkansas	2	1	1
California	2	1	1
Florida	2	0	2
Missouri	2	1	1
North Carolina	2	1	1
Arizona	1	0	1
Colorado	1	0	1
Iowa	1	1	0
Illinois	1	1	0
Indiana	1	0	1
Kansas	1	0	1
Massachusetts	1	0	1
Maryland	1	0	1
Michigan	1	1	0
Minnesota	1	1	0
New Jersey	1	0	1
Oklahoma	1	1	0
Pennsylvania	1	0	1
20 States	37 Closures	13 Rural	24 Urban

APPENDIX C

1995 HOSPITAL CLOSURES BY NAME AND LOCATION			
Hospital Name	City	State	Rural/ Urban
St. Michael Hospital	Texarkana	AR	urban
Nevada County Hospital	Prescott	AR	rural
Vencor Hospital-Youngtown	Youngtown	AZ	urban
West Valley Hospital	Canoga Park	CA	urban
Calexico Hospital	Calexico	CA	rural
Provenant Mercy Medical Center	Denver	CO	urban
Physicians Community Hospital	St. Petersburg	FL	urban
Polk General Hospital	Bartow	FL	urban
Story City Memorial Hospital	Story City	IA	rural
Fairbury Hospital	Fairbury	IL	rural
Northwest Family Hospital	Gary	IN	urban
St. John's Regional Health Center	Salina	KS	rural
Caddo Oaks Medical Center	Shreveport	LA	urban
New Orleans General Hospital	New Orleans	LA	urban
Merryville General Hospital	Merryville	LA	rural
Ludlow Hospital	Ludlow	MA	urban
Frostburg Hospital	Frostburg	MD	urban
Traverse City Community Hospital	Traverse City	MI	rural
Karlstad Memorial Hospital	Karlstad	MN	rural
AMI Keller Memorial Hospital	Fayette	MO	rural
Menorah Medical Center	Kansas City	MO	urban
Alamance County Hospital	Burlington	NC	urban
Alamance Memorial Hospital	Burlington	NC	urban
Zurbrugg Memorial Hospital	Riverside	NJ	urban
Thomas Memorial Hospital	Thomas	OK	rural
Thomas Jefferson Hospital-Ford Road	Philadelphia	PA	urban
Danforth Hospital	Texas City	TX	urban
Goliad County Hospital	Goliad	TX	rural
Westbury Hospital	Houston	TX	urban
Doctors Hospital	Conroe	TX	urban
Pasadena General Hospital	Pasadena	TX	urban
Family Hospital Center	Amarillo	TX	urban
Brooks County Hospital	Falfurrias	TX	rural
Plaza Medical Center-East	Fort Worth	TX	urban
Gilmer Medical Center	Gilmer	TX	rural
Twin Oaks Medical Center	Fort Worth	TX	urban
HCA Medical Center of Houston	Houston	TX	urban