

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**HOSPITAL CLOSURE: 1994**



**JUNE GIBBS BROWN**  
Inspector General

**FEBRUARY 1996**  
OEI-04-95-00100

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OEI's Atlanta Regional Office prepared this report under the direction of Jesse J. Flowers, Regional Inspector General and Christopher Koehler, Deputy Regional Inspector General. Principal OEI staff included:

#### **ATLANTA OFFICE**

Ron Kalil, Team Leader  
Peggy Daniel, Program Analyst  
Paula Bowker, Program Analyst

#### **HEADQUARTERS**

Winnie Walker, Program Specialist  
Linda Moscoe, Program Analyst

For additional copies of this report, please call the Atlanta Regional Office at (404)-331-4108.

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# EXECUTIVE SUMMARY

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## PURPOSE

To describe the extent, characteristics, and impact of hospital closure in 1994.

## 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 our analysis of hospital closure to determine trends and effects of the phenomenon. We issued subsequent annual reports on hospital closure in 1988 through 1993.

The findings from all the previous OIG studies of hospital closure 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 1994 produced findings similar to those previously reported for 1987-1993.

- ▶ Sixteen general, acute care hospitals closed, continuing a downward trend in the annual number of closures. This is the lowest number of closings in one year since we began this series of reports. The highest number of closures was 88 in 1988. Six new general, acute care hospitals opened in 1994, and seven hospitals that closed prior to 1993 reopened in 1994.
- ▶ Five of the closed hospitals were rural and 11 were urban.
- ▶ Closed hospitals in both rural and urban areas were much smaller than the national averages.

Rural hospitals that closed had an average of 19 beds as compared to an average of 80 beds for all rural hospitals nationally.

Urban hospitals that closed had an average of 97 beds as compared to an average of 303 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 28 percent as compared to an average of 35 percent for all rural hospitals nationally. The average daily census in the year prior to closure was about 5 patients.

Urban hospitals that closed had an average occupancy rate of 41 percent as compared to an average of 53 percent for all urban hospitals nationally. The average daily census in the year prior to closure was about 39 patients.

- ▶ **The average Medicare utilization of hospitals that closed was about the same as all hospitals nationally.**

In rural areas, the average Medicare utilization among hospitals that closed was 55.4 percent compared to an average of 55.5 percent for all rural hospitals nationally. About 3 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 49.8 percent compared to an average of 47.9 percent for all urban hospitals nationally. About 20 Medicare patients were in the hospital on an average day in the year prior to closure.

- ▶ **Medicaid utilization of hospitals that closed was slightly higher than the national averages.**

In rural areas, the average Medicaid utilization among hospitals that closed was 13.8 percent as compared to an average of 12.8 percent for all hospitals nationally.

In urban areas, the average Medicaid utilization among hospitals that closed was 16.7 percent as compared to an average of 14 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, 8 of the 16 closed hospital facilities (50 percent) were being used for health-related services. Also, plans were being made to use 3 of the remaining 8 vacant hospitals for health-related services.**

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# INTRODUCTION

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## PURPOSE

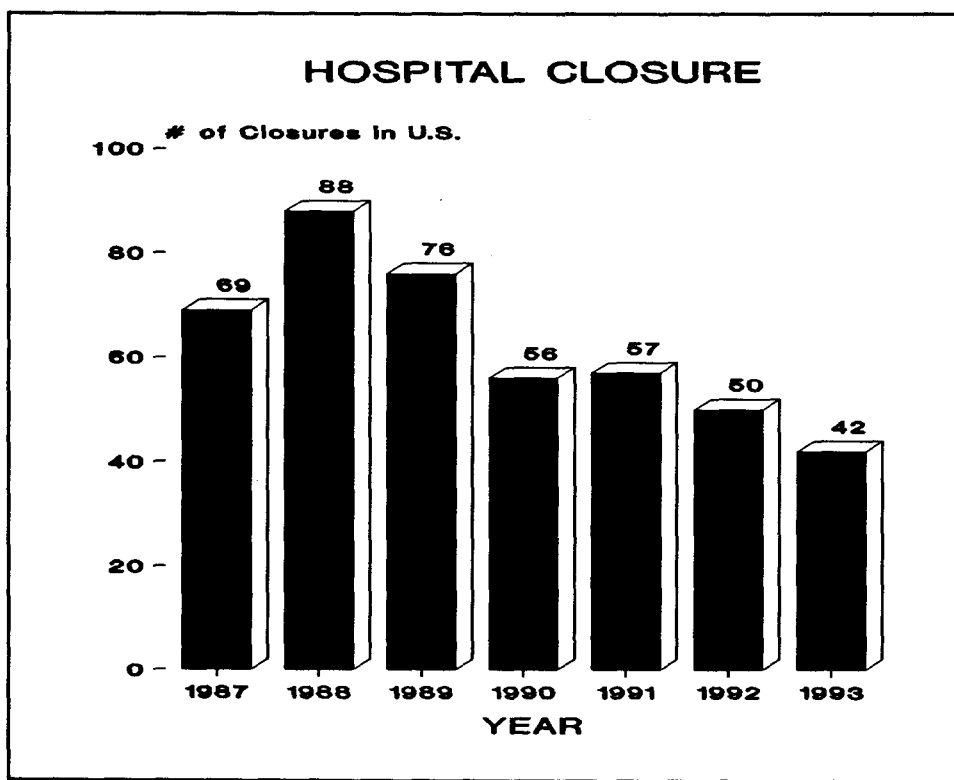
To describe the extent, characteristics, and impact of hospital closure in 1994.

## BACKGROUND

Over the last decade, closure of general, acute care hospitals has generated public and congressional concern. Numerous questions have 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.

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 1993 showed a downward trend in the number of closures.



The findings from the 1987 through 1993 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 1994.

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 1994. 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 1994, 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 1994 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

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The Inspector General's study of hospitals closed in 1994 showed that:

- ▶ Sixteen general, acute care hospitals closed in 1994, continuing a downward trend in the annual number of closures. Twenty-six fewer hospitals closed in 1994 than in the previous year.
- ▶ 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 1994, there were 5,127 general, short-term, acute care hospitals in the United States entered on HCFA's data base as participating in the Medicare program. Sixteen hospitals closed in 1994 -- 0.3 percent of all hospitals nationally. Twenty-six fewer hospitals closed in 1994 than in the previous year.

<b>HOSPITALS IN THE U.S.:</b>	<b>5,127</b>
<b>CLOSED IN 1994:</b>	<b>16 (0.3%)</b>

Closure of the 16 general, acute care hospitals reduced inpatient bed supply by 1,161 beds, or 0.1 percent.

While 16 hospitals closed in 1994, 6 new general, acute care hospitals *opened*, adding 620 beds to the national supply of beds. In addition to the new hospital openings, 7 previously closed hospitals *reopened* in 1994, adding another 416 beds.

### *Where Were They*

The closed hospitals were located in 14 States. Two States had two closures each, and the remaining 12 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 1994.

	RURAL	URBAN
HOSPITALS IN THE U.S.:	2,473	2,654
CLOSED IN 1994:	5 (0.2%)	11 (0.4%)

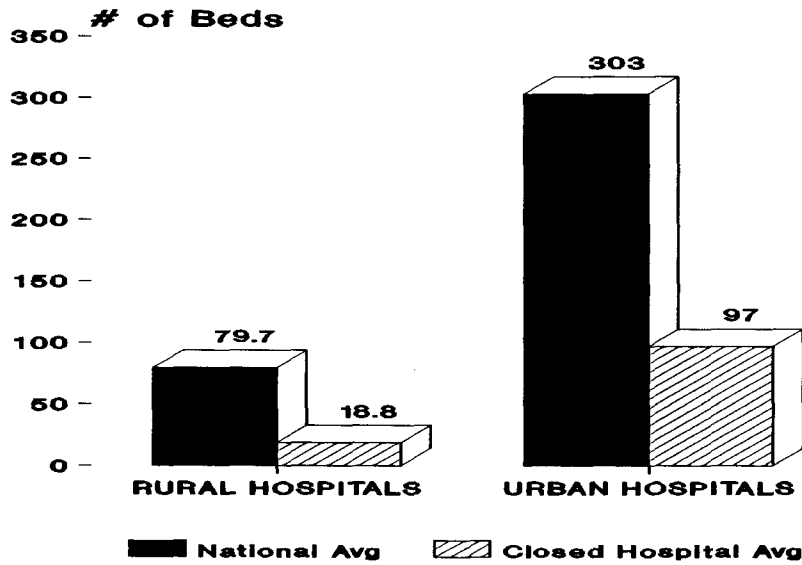
### *What Were the Closed Hospitals Like*

**Size:** Hospitals that closed in 1994 were small. Half the hospitals that closed had 50 beds or less.

SIZE OF CLOSED HOSPITALS			
Number of Beds	Number of Closed Hospitals		
	Rural	Urban	Total
0 - 30	4	1	5 (31%)
31 - 50	1	2	3 (19%)
51 - 100	0	6	6 (38%)
101 - 200	0	1	1 (6%)
201 - 300	0	1	1 (6%)
301 >	0	0	0
Totals	5	11	16

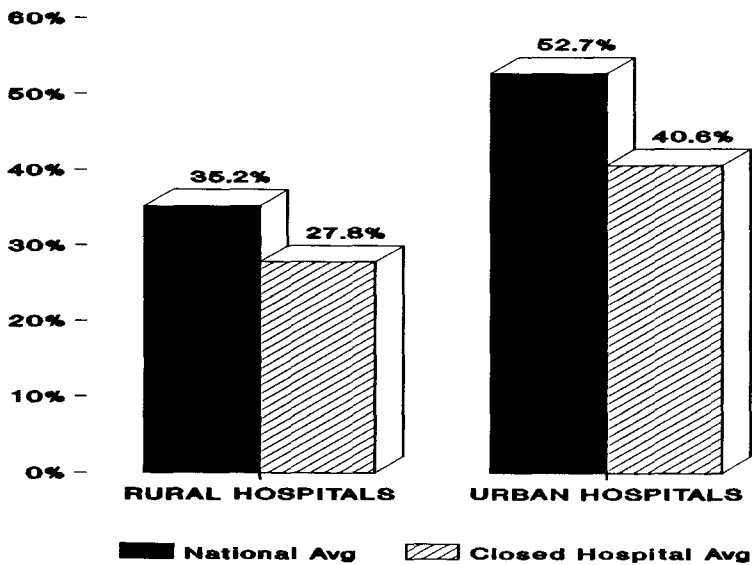
Both the rural and urban hospitals that closed in 1994 were considerably smaller than the average size of rural and urban general, acute care hospitals nationally.

### HOSPITALS THAT CLOSED WERE SMALL



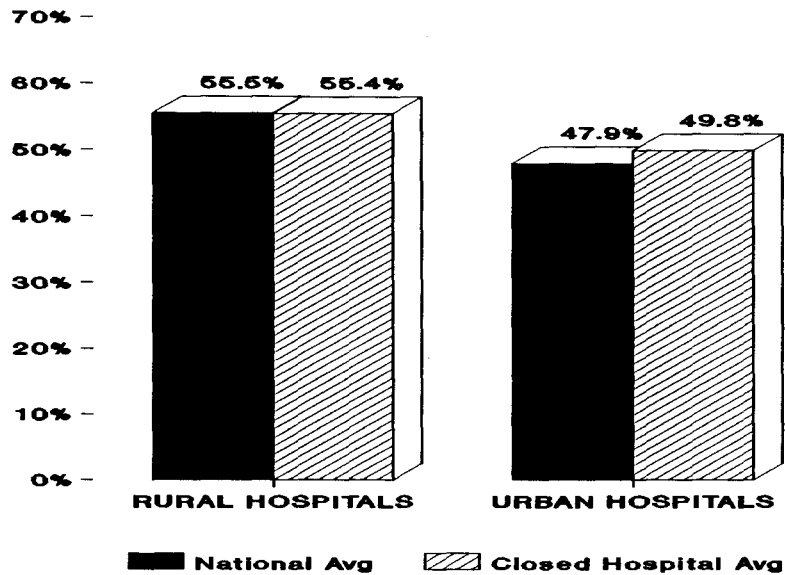
Occupancy: Occupancy rates for closed rural and urban hospitals were lower than the national averages.<sup>1</sup>

### OCCUPANCY RATES WERE LOW



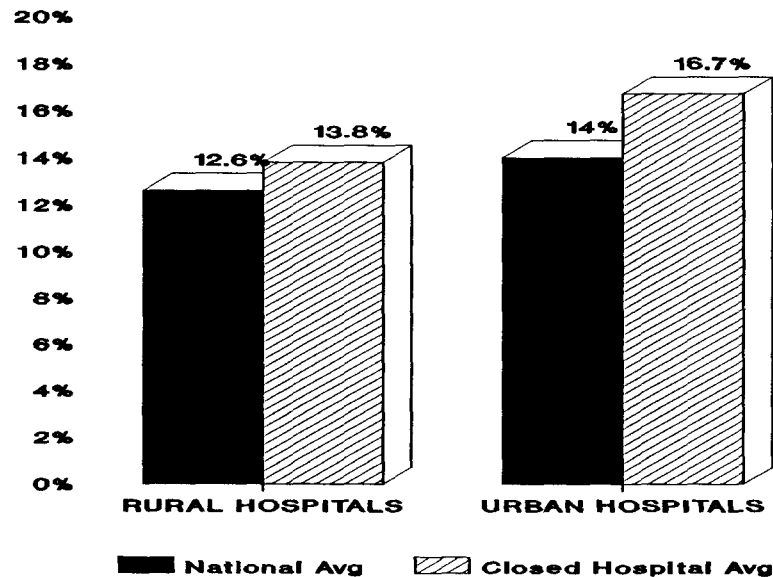
**Medicare Utilization:** The average Medicare utilization among rural hospitals that closed was about the same as rural hospitals nationally. The average Medicare utilization among urban hospitals that closed was slightly higher than the national average.<sup>2</sup>

### MEDICARE UTILIZATION



**Medicaid Utilization:** In both rural and urban areas, the average Medicaid utilization among hospitals that closed was higher than the national averages.<sup>3</sup>

### MEDICAID UTILIZATION



## IMPACT OF HOSPITAL CLOSURE

In communities where hospitals closed in 1994, 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 1994, the average daily census in the year prior to closure was about 5 patients. The urban hospitals that closed had an average daily census of about 39 patients.

WHEN HOSPITALS CLOSED, HOW MANY PATIENTS WERE AFFECTED?		
	Rural Hospitals	Urban Hospitals
Average Number of Beds	18.8	97.0
Average Occupancy Rate	<u>x 27.8%</u>	<u>x 40.6%</u>
Average Number of Patients	5.2	39.4

We analyzed Medicare utilization data to determine the number of elderly patients affected by hospital closure in 1994. In rural hospitals that closed, about 3 Medicare patients were in the hospital on an average day in the year prior to closure. In the urban hospitals that closed, about 20 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	5.2	39.4
Average Medicare Utilization Rate	<u>x 55.4%</u>	<u>x 49.8%</u>
Average Number Medicare Patients	2.9	19.6

### ***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 1994, inpatient hospital care was available nearby.

<b>NEAREST INPATIENT CARE TO CLOSED HOSPITALS</b>		
	<b>NUMBER OF CLOSED HOSPITALS</b>	
<b>DISTANCE</b>	<b>Rural</b>	<b>Urban</b>
Within 3 Miles	1 (20%)	6 (55%)
4-10 Miles	0	5 (45%)
11-20 Miles	3 (60%)	0
21-30 Miles	1 (20%)	0
More than 30 Miles	0	0
Totals	5 (100%)	11 (100%)

***Rural Areas:*** Residents in 4 of the 5 rural communities (80 percent) where a hospital closed could get inpatient hospital care within 20 miles of the closed hospital. However, residents of Philipsburg, Montana had to travel 30 miles for *full service* inpatient hospital care. This frontier community converted its closed hospital into a Medical Assistance Facility (MAF). The 3-bed MAF facility provides up to four days of limited inpatient services.

***Urban Areas:*** In all 11 urban communities where a hospital closed in 1994, residents could get inpatient hospital care within 10 miles of the closed hospital. Seven of the eleven urban communities (64 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 all 5 rural communities where a hospital closed in 1994, emergency care facilities were available within 20 miles of the closed hospital.

***Urban Areas:*** In all 11 urban communities where a hospital closed in 1994, emergency care facilities were available within 10 miles of the closed hospital. Eight of the 11 urban

communities (73 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	2 (40%)	7 (64%)
4-10 Miles	0	4 (36%)
11-20 Miles	3 (60%)	0
21-30 Miles	0	0
More than 30 Miles	0	0
Totals	5 (100%)	11 (100%)

***What Is the Building Used For Now***

At the time of our review, 8 of the 16 closed hospital buildings (50 percent) were being used for health-related services. For example:

- ▶ Physicians and Surgeons Hospital in Shreveport, Louisiana became a nursing home and substance abuse facility.
- ▶ Winthrop Hospital in Winthrop, Massachusetts is now a 24-hour urgent care center.
- ▶ Lumberton Citizens Hospital in Lumberton, Mississippi was converted to a home health agency and doctor's office.
- ▶ Granite County Memorial Hospital in Philipsburg, Montana was converted to a HCFA sponsored 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.

At the time of our review, community officials were planning to use 3 of the remaining 8 vacant hospitals for health-related services. Lakefield Municipal Hospital in Lakefield, Minnesota will be converted to an assisted elderly living facility. Also, community officials in two locations where hospitals closed plan to reopen the facility 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 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

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## METHODOLOGY

### *Extent of Hospital Closure*

To determine how many hospitals closed in 1994, 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 1994. 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 5,127 hospitals listed on HCRIS as short-term, acute care, general hospitals for the tenth year of PPS (PPS 10).

### *Characteristics of Hospital Closure*

To analyze characteristics of closed hospitals, we used HCRIS data. We used the latest pre-closure cost reports. For example, if a hospital closed in May 1994 and its accounting year was on a January-December cycle, we used the provider's January 1, 1993 to December 31, 1993 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

<b>1994 HOSPITAL CLOSURES - RANKED BY STATE</b>			
State	Total Closures	Rural Closures	Urban Closures
Minnesota	2	1	1
South Carolina	2	1	1
California	1	0	1
Florida	1	0	1
Georgia	1	0	1
Kansas	1	1	0
Louisiana	1	0	1
Massachusetts	1	0	1
Mississippi	1	1	0
Montana	1	1	0
New York	1	0	1
Ohio	1	0	1
Pennsylvania	1	0	1
Tennessee	1	0	1
<b>14 States</b>	<b>16 Closures</b>	<b>5 Rural</b>	<b>11 Urban</b>

## APPENDIX C

1994 HOSPITAL CLOSURES BY NAME AND LOCATION			
Hospital Name	City	State	Rural/ Urban
Los Medanos Community Hospital	Pittsburg	CA	urban
Destin Hospital	Destin	FL	urban
Woodstock Hospital	Woodstock	GA	urban
Wellington Hospital and Clinic	Wellington	KS	rural
Physicians and Surgeons Hospital	Shreveport	LA	urban
Winthrop Hospital	Winthrop	MA	urban
Lakefield Municipal Hospital	Lakefield	MN	rural
Healtheast Divine Redeemer Hospital	South St. Paul	MN	urban
Lumberton Citizens Hospital	Lumberton	MS	rural
Granite County Memorial Hospital	Philipsburg	MT	rural
Medical Arts Center Hospital	New York	NY	urban
Parkview Hospital	Toledo	OH	urban
Sacred Heart Hospital	Norristown	PA	urban
Doctors Memorial Hospital	Spartanburg	SC	urban
Lee County Memorial Hospital	Bishopville	SC	rural
Metropolitan Hospital	Chattanooga	TN	urban