A Rural Hospital Gets A Second Chance

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In December 2015, I was named president and CEO of Morehead Memorial Hospital. With almost a decade of health care experience, I felt ready to lead the 108-bed hospital in rural Eden, North Carolina.

What I quickly realized is that rural hospitals are unique. They serve communities where the payer mix is comprised of a greater number of Medicaid, Medicare, and self-pay patients who are more likely to be older, sicker, and underinsured.

In a rural community, these people aren't faceless. They sit beside you in the church pew and chat with you in the grocery aisles. They are family members and friends, and it is those connections that make a small community more intimate. Rural hospitals also have lower volumes of patients and procedures, less capital for technological advancements, and are likely to receive lower reimbursements from insurers. It's more difficult to recruit and retain staff in small towns. The challenges can seem endless.

A quick analysis of Morehead revealed each of these challenges and more. The hospital carried nearly $60 million in debt and had lost 15% of market share in just over five years. Since January 2010, 83 rural hospitals have closed across the nation, with the majority of those being in the South [1]. Morehead was on the brink of becoming the next.

It was clear that turning the tide would take more than cost-saving measures. As a community owned hospital, Morehead was governed by a Board of Trustees, a group of local residents who held fiduciary responsibility for establishing sustainable operations. The Board felt an even deeper commitment to the community. Not only is the hospital a vital health care resource, it is Eden's largest employer and a major consumer of city utilities.

Built in 1960, the 4-story hospital sits in the center of Eden and is a defining part of the community. With close to 700 employees, there's hardly a citizen who doesn't know someone who works at the hospital. Most also know someone who contributed to build it. In the late 1950s, a grassroots campaign was staged on the factory floors of local textile mills to raise money to build the facility that replaced the original 1924 building.

Local residents felt ownership in the hospital, and the Board knew that once they took a direction, they would face the scrutiny of the community.

Nonetheless, saving the hospital required bold decisions, and the Board made its first in the fall of 2016 when it announced that it was seeking a partnership with a larger health care system.

The months that followed produced few inquiries, so we were excited to have a proposal from an interested party in early 2017. In late April, that party abruptly halted negotiations.

Running out of options, the difficult decision was made to file for Chapter 11 Bankruptcy on July 10, 2017.

My focus immediately shifted. I had to quell panic and focus on retaining our staff through uncertain times. That began with educating staff and the community about the tool bankruptcy provided to reduce debt, making the hospital more attractive to a buyer.

I likened bankruptcy to entering a tunnel. We didn't know what it would look like on the other side, or how long we'd be in it, but we would come out.

As it turned out, we were in that tunnel for 126 days. During that time, I addressed our city council, keeping them apprised of our situation. I went to civic organizations and spoke with local ministers and donors.

I phoned legislators and talked with reporters, some contacting us from as far away as Boston. The plight of rural hospitals is an important topic that gets far-reaching attention.

On November 13, the day a judge would determine the auction winner, the networking I'd done with staff, elected officials, and community members served us well. There was standing room only in the courtroom in Greensboro where I was told it is rare to see more than one or two pews filled. It furthered my conviction that rural hospitals are different.

I was honored to stand shoulder-to-shoulder with those supporters when the judge determined that the highest and best bidder in the auction for Morehead was UNC Health Care.

Our story doesn't end there.

As UNC Rockingham Health Care, we face the same challenges—we are simply fortunate to not have to face them alone. We have a capital commitment from UNC Health Care, a strategic plan, recognized clinical expertise, and resources that we did not have as Morehead.

We also have an opportunity to forge a more sustainable model for all rural hospitals. To do that, health care systems, legislators, medical schools, and community members must unite around a central cause: keeping health care in rural areas is the right thing to do.

For eight threatened rural hospitals in our state, that can't happen fast enough. NCM

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Reference

1. Pink G. Will your local hospital survive? Oral presentation at: Association of Health Care Journalists Meeting; June, 2018; Durham, NC.

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