

What's Lost when Rural Hospitals Close

In addition to monetary policy, the Richmond Fed works with a number of partners to identify and try to address economic challenges and opportunities in underserved communities. That's why our research staff and I have spent the past year trying to understand more deeply the differences in outcomes we see between urban and rural areas. Residents of smaller towns, for example, are significantly less likely to be employed than people who live in larger cities. What's behind those differences, and what can policymakers do?

We're looking at four key themes that could move the needle in rural communities. The first is education, or more broadly, preparing people to enter the workforce, as I've discussed in this column before. The second is connecting people to good jobs, for example, via collaborations between community colleges and local employers. We're also studying obstacles to labor force participation, such as disability and addiction. Finally, we're researching how to address the consequences of the social and geographic remoteness of many rural communities. By this, I don't mean that there aren't strong social networks in small towns — the opposite is often true. But there may be informational and institutional gaps that don't exist in larger cities. If you live in a place where fewer adults have gone to college, for example, you might not view college as a viable option for yourself.

Research is only part of the equation. We're also working to share what we've learned and to highlight initiatives that might be replicable in other areas. This fall, for example, we're hosting a national conference that will bring together community leaders, employers, researchers, policymakers, foundations, and others to identify practical strategies that can have the largest benefit for rural areas and their residents.

Given that context, the closure of many rural hospitals, which Emily Wavering Corcoran and Sonya Ravindranath Waddell discuss in this issue's District Digest, is a trend we pay attention to. Here in our district, a dozen rural hospitals have closed since 2010, and 21 are at serious financial risk of closing. Nationwide, more than 100 hospitals in rural areas have shut their doors.

As Emily and Sonya explain, a variety of forces have contributed to these closures. Hospital stays have become shorter on average, in part because of medical advances that allow more procedures to be performed on an outpatient basis; this is a benefit for patients, but it means less revenue for hospitals. The declining population in many rural areas has also been a challenge for hospitals, not only from a revenue perspective, but also because

the quality of care tends to improve when procedures are performed more frequently. Rural hospitals find it more difficult to attract talent. In addition, many hospitals have struggled with the costs of caring for patients who do not have health insurance, particularly in states that did not expand Medicaid with the Affordable Care Act.

The most obvious implication of a hospital closure in a small town is reduced access to health care, which may be of particular concern in communities that are struggling with high rates of addiction and disability. In smaller communities, as Emily and Sonya note, a hospital closing can also mean the loss of many of its core well-paying jobs.

What is less appreciated is that hospitals also play a vital role as "anchor institutions" in rural communities. These institutions provide civic leaders and highly educated workers who can raise the aspirations of those around them. They invest in their communities and educate residents about healthy lifestyles. They supply amenities that attract talent. They signal a community's vibrancy to potential business owners and residents. So when a rural hospital closes, much more than jobs are lost.

This doesn't necessarily mean a hospital can stay open if it is no longer financially viable. But it does mean policymakers who are interested in seeing rural communities thrive must acknowledge that the success of their hospitals is a compelling public policy objective that includes, but goes far beyond, health care. **EF**



TOM BARKIN
PRESIDENT
FEDERAL RESERVE BANK OF RICHMOND