

The state of rural healthcare

Research report and
outlook for 2023

WIPFLI



Nearly one in five Americans live in rural areas and rely on clinics and critical access hospitals for lifesaving medical services.

Wipfli surveyed more than 100 rural healthcare organizations to get a pulse on their financial health. Our inaugural state of rural healthcare report covers some of their top financial challenges and strategic responses.

Table of contents

Executive summary	3
Strategic priorities	5
Thoughts on the future	14
Appendix: The raw data	15

Executive summary

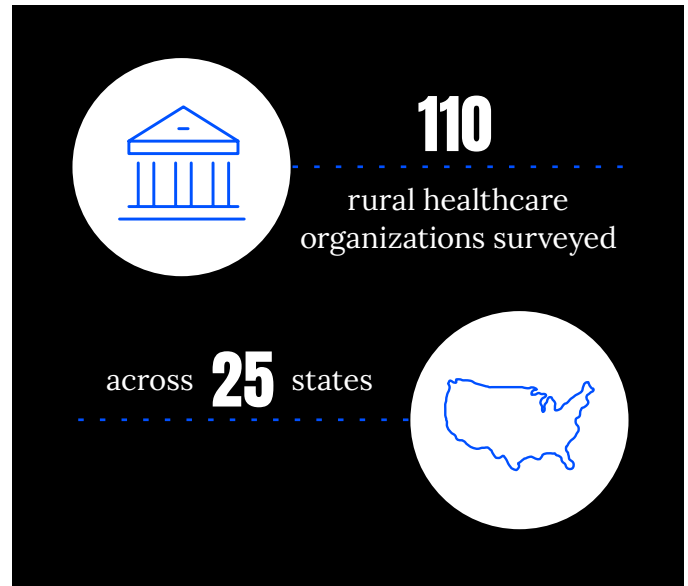
About 20% of Americans live in rural areas and are farther from healthcare services than people who live in urban areas. Rural Americans are more likely than their metropolitan peers to suffer from heart disease, chronic respiratory disease, injury, stroke and cancer. They also have more reported cases of COVID-19 and lower vaccination rates.

Meanwhile, a record number of rural hospitals have closed recently, according to the [American Hospital Association](#). And about 29% of rural hospitals are at immediate or high risk of closure, according to the [Center for Healthcare Quality and Payment Reform](#). These closures push disproportionately sick patients even farther away from the care they need.

Wipfli surveyed 110 rural healthcare organizations across 25 states to learn how they're coping. We learned that bad news exists — but so does hope and optimism. The majority of the rural providers we surveyed are in good financial health and confident about the future.

Nearly all of the rural organizations we surveyed received Provider Relief Fund payments to help them manage during the COVID-19 pandemic. Eighty percent exhausted their relief funds and 17% are still disbursing the relief. Two-thirds of respondents said that their financial situation today is the same or better than it was five years ago.

Looking ahead, a majority of rural healthcare



providers are at least cautiously optimistic. Over 75% of respondents are independently operated — and the majority feel confident that it can stay that way. Sixty-five percent say they are not at all likely to merge with another organization in the next five years. They're planning for growth over consolidation. Seventy-three percent intend to expand or invest in new facilities in the next five years.

That doesn't mean it will be easy. Rural healthcare organizations also have serious concerns. The cost of labor, benefits and other people expenses are major budget factors. And that's when they can find qualified people. Labor shortages and staff turnover are significant issues as well.

Getting paid is another leading concern. Rural healthcare providers are struggling to maximize Medicare and Medicaid reimbursements and manage payer contracts.

In our research, we learned how rural healthcare organizations plan to build financial strength and serve patients well. This report documents their ambitions and strategic priorities and adds the perspective and advice of our specialists.

Top challenges for rural healthcare organizations

Heading into 2023, rural healthcare organizations are most concerned about:

1. The cost of labor, benefits and other people expenses.
2. Labor shortages and employee turnover.
3. Medicare/Medicaid reimbursements.
4. Managing payer contracts.
5. Cybersecurity.
6. Price transparency mandates.
7. Strategic planning.
8. Technology integration.



Strategic priorities for rural healthcare organizations

To maintain financial health, rural healthcare organizations are addressing four strategic priorities:

1

Talent

2

Patient experience

3

Financial performance

4

Digital transformation

Priority No. 1

Manage talent in a record-tight labor market

Only [12% of physicians practice in rural communities](#) — where 20% of the U.S. population lives. And much of that population is aging. Rural communities skew older than metropolitan areas and are losing working-age residents faster, according to the [U.S. Department of Agriculture](#).

Add a nationwide labor shortage to the mix and it's no wonder that workforce-related issues are the top priorities for rural healthcare organizations in 2023. In our research, 90% of respondents had experienced a worker shortage.

To address the talent gap, 78% of respondents increased wages. Paying workers more has been an effective stopgap — but it may not be sustainable for the long term.

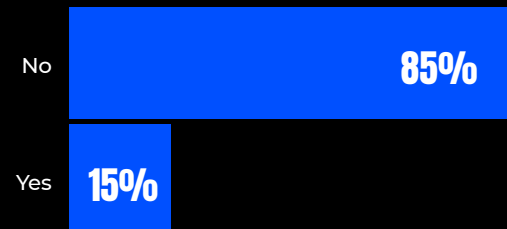
Rural healthcare organizations are also recruiting for open positions more proactively, including working with local colleges to attract recent graduates. They're using automation to ease workloads and supplementing permanent staff with temporary nonclinical workers. Some organizations are developing in-house medical education and residency programs to develop talent in critical areas.

Rural healthcare organizations are putting more emphasis on human resources overall. Human resources can help with retaining and upskilling workers and developing career paths for future executives. Rural healthcare facilities said they aren't looking outside the industry for their next leaders. Only 15% of respondents welcomed executives with little or no healthcare administration experience.

Has your organization experienced a workforce shortage similar to the rest of the nation?



The industry has seen an influx of hospital executives with little or no healthcare administration experience. Is this true for your organization?



The **top five ways** rural healthcare organizations are addressing the labor shortage:

1

Increasing wages

2

Recruiting candidates more proactively

3

Using technology
(e.g., automated phone systems and apps)

4

Using traveling/temporary nonclinical staff

5

Developing medical education
and residency programs

Priority No. 2

Improve the patient experience

Distance and transportation challenges make it harder for rural Americans to access healthcare, especially for preventive services. As a result, many patients delay treatment until their conditions worsen or require hospitalization or more serious interventions. To keep communities well, rural healthcare organizations need to remove barriers to access and create simple, convenient patient experiences.

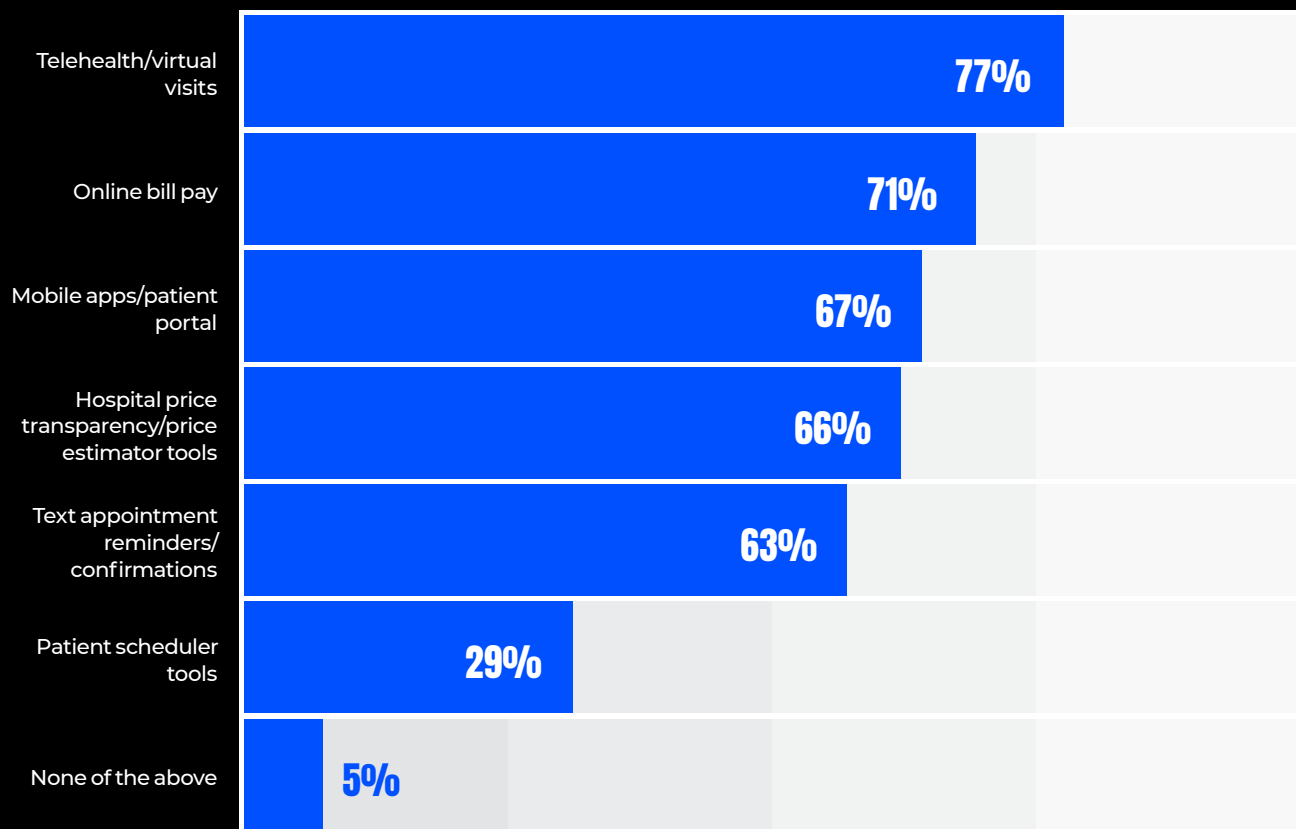
In this area, the COVID-19 pandemic may have had a positive side effect on rural health. During shutdowns and closures, patients were more willing to adopt healthcare technology. Telehealth visits were 20 times higher in 2020 than in 2019 for rural Medicare enrollees. (Although, participation still lagged behind urban areas. In urban areas, telehealth visits were 131 times higher in 2020.)

The rural healthcare organizations we surveyed added telehealth, online bill pay, online patient portals and price estimator tools to engage with patients from afar. They also started sending appointment reminders and confirmations via text and using digital tools to assist with patient scheduling.

Only 5% of respondents didn't add any of these tools to improve the patient experience. Organizations that didn't digitize said that other issues were more pressing, they lacked the staff to put technology in place and/or their organizations and/or patients were slower to change.



Which of the following tools have you developed/implemented to improve the consumer/patient experience?



(Respondents were allowed to choose multiple responses.)



Priority No.3

Strengthen financial performance

A majority of rural healthcare organizations are in a good financial position today and optimistic about the future. More than 75% of respondents expect revenue to grow or remain flat over the next three years.

Rural organizations are pursuing three strategies to sustain their financial health: cost reduction, revenue cycle management and payer negotiations. Only a handful of respondents plan to reduce services to cut costs. Home health and hospice services are most likely to be reduced right now.

Over the next three years, some rural organizations say that they'll reevaluate telehealth services. Congress extended key Medicare telehealth policies through 2024, so rural healthcare providers can continue to serve as distant site providers. However, for now, the reimbursement rate will remain lower for virtual visits than for in-person encounters.

According to our survey, rural healthcare providers also need enhanced financial projections to control costs. Quality and timely data can give them a clearer picture of operational cost drivers, such as staffing, as well as opportunities to generate more revenue. New services, providers or outreach programs could increase revenue and help balance the books, but leaders want data to support strategic moves first.

Compared to urban areas, rural patients are less likely to have health insurance. From preregistration to collection, rural organizations need tighter control over the revenue cycle. When it comes to revenue and reimbursement, respondents said that negotiating with commercial payers and managing payer relationships is their top concern.

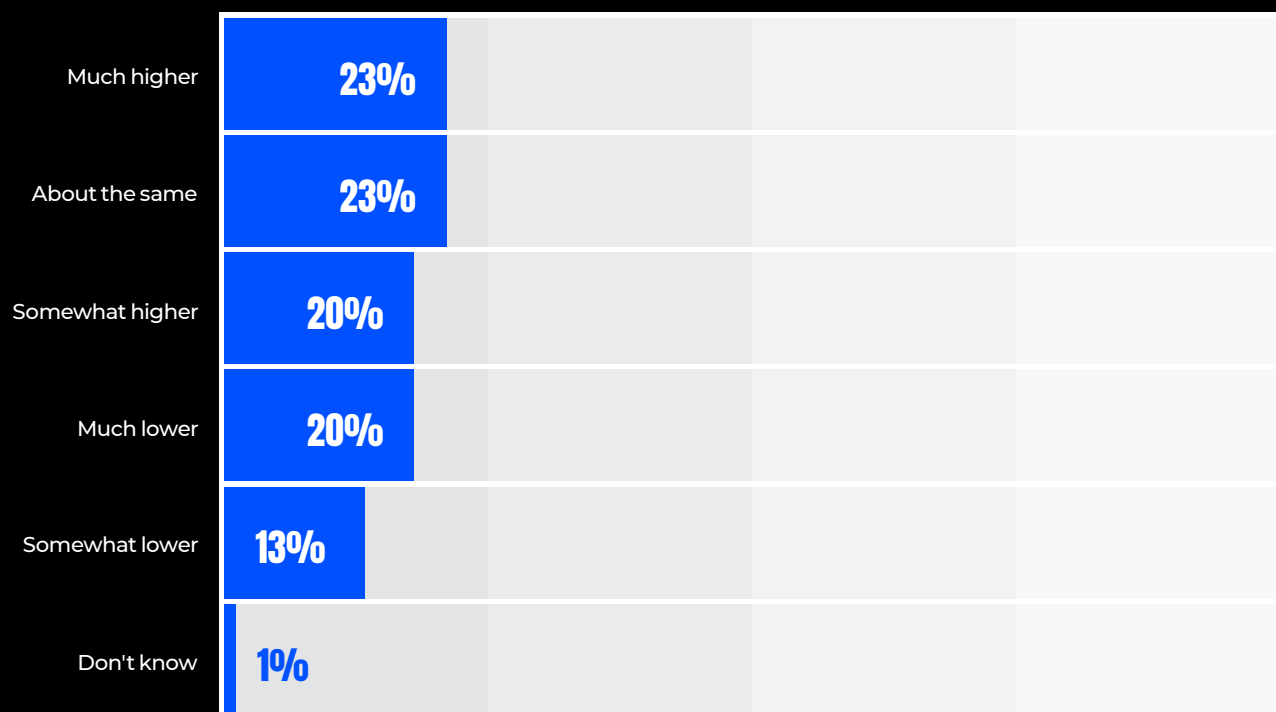
They also need to minimize billing and coding errors. Organizations that struggle to retain well-trained billing and coding staff can outsource portions of the revenue cycle. That way, unpaid invoices and rejected claims are pursued consistently. Technology and automation can also tighten internal controls around revenue and expenses.

Only 13% of rural healthcare organizations are considering changing their care designation to improve their financial situation. Of those, nearly 70% are considering becoming a rural emergency hospital. Before making a change, they need help determining the financial impacts. They also need more clarity around the rules and how policies might be affected.

About 17% of respondents said they are launching donor campaigns to raise funds. In those organizations, service revenue isn't covering the bills and they need grant funds or community support to pursue capital projects.

Moving forward, operating budgets could include more diverse funding sources. That could increase year-to-year budget variation, depending on how fundraising campaigns perform. Money from grants or donor campaigns may be restricted too and will require adequate monitoring and oversight. Staff may need training on how to write and manage grants.

Which statement best describes your organization's level of financial stability as compared to five years ago?



(Respondents were allowed to choose multiple responses.)



Priority No. 4

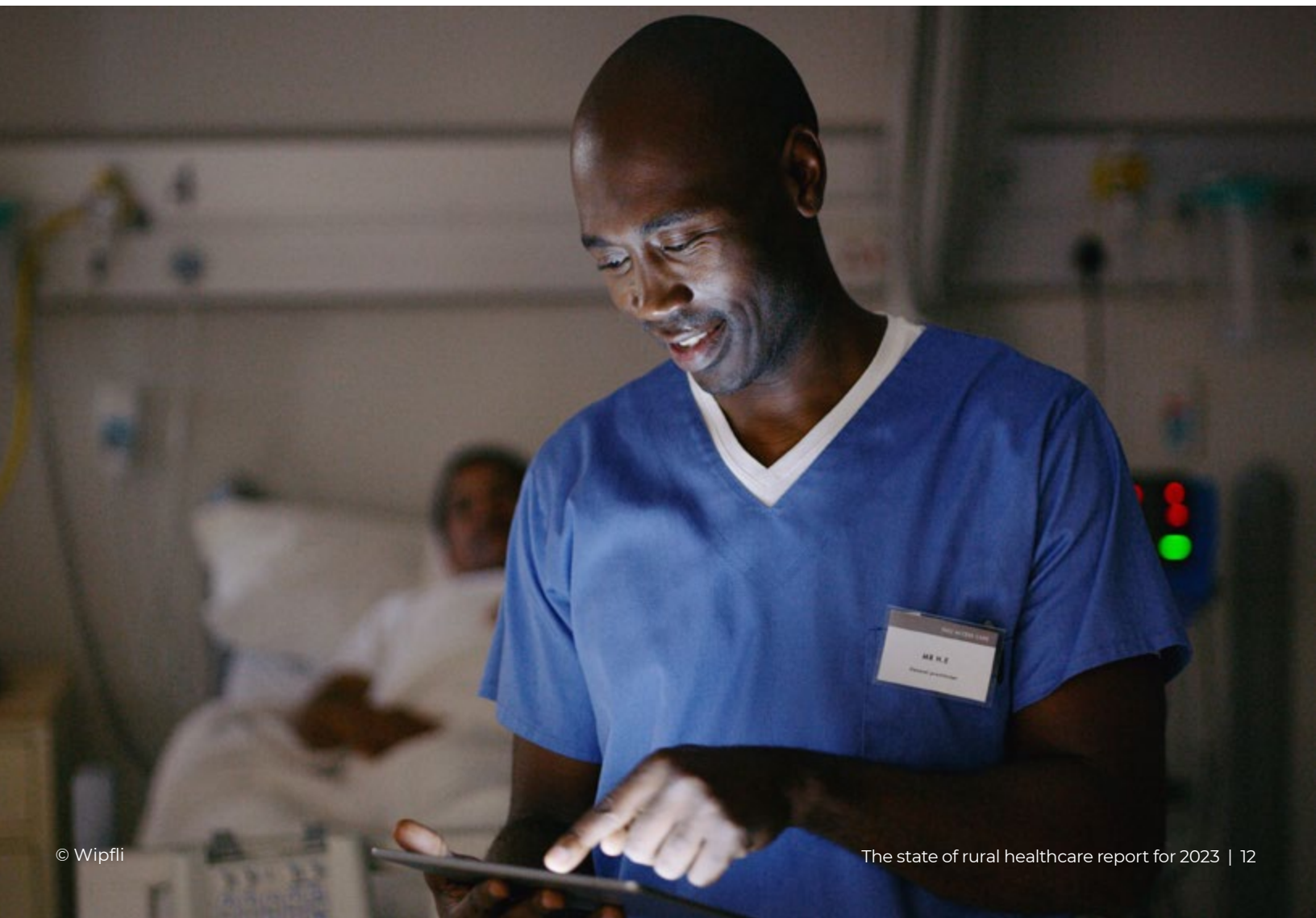
Pursue digital tools and experiences

Rural healthcare organizations may always have to do more with less. That explains why most respondents plan to expand or invest in new technology platforms.

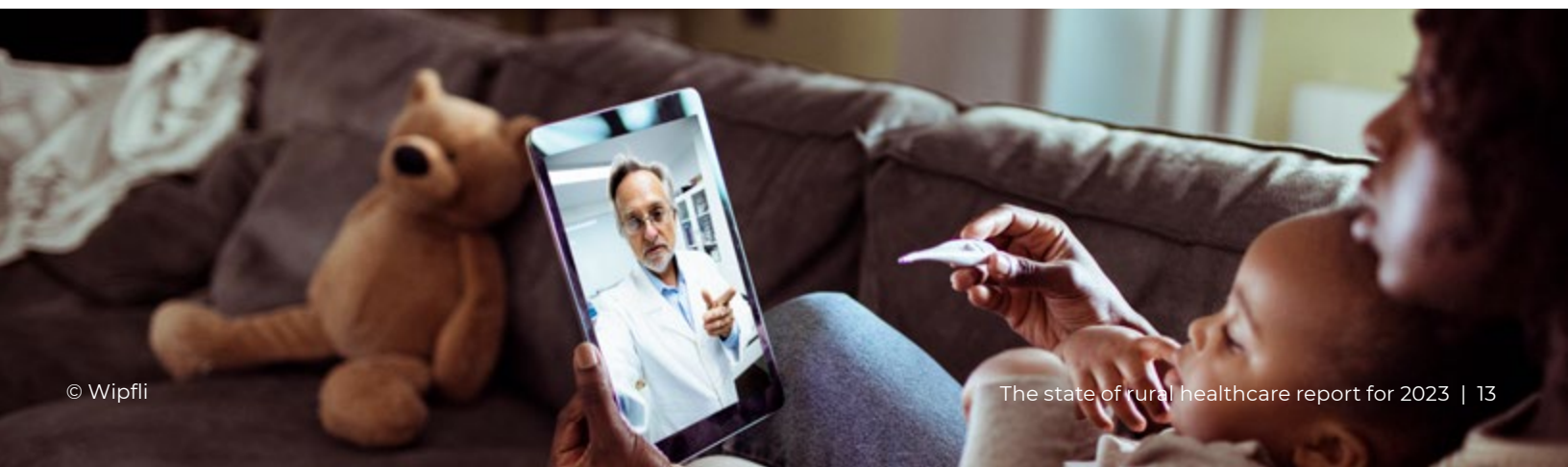
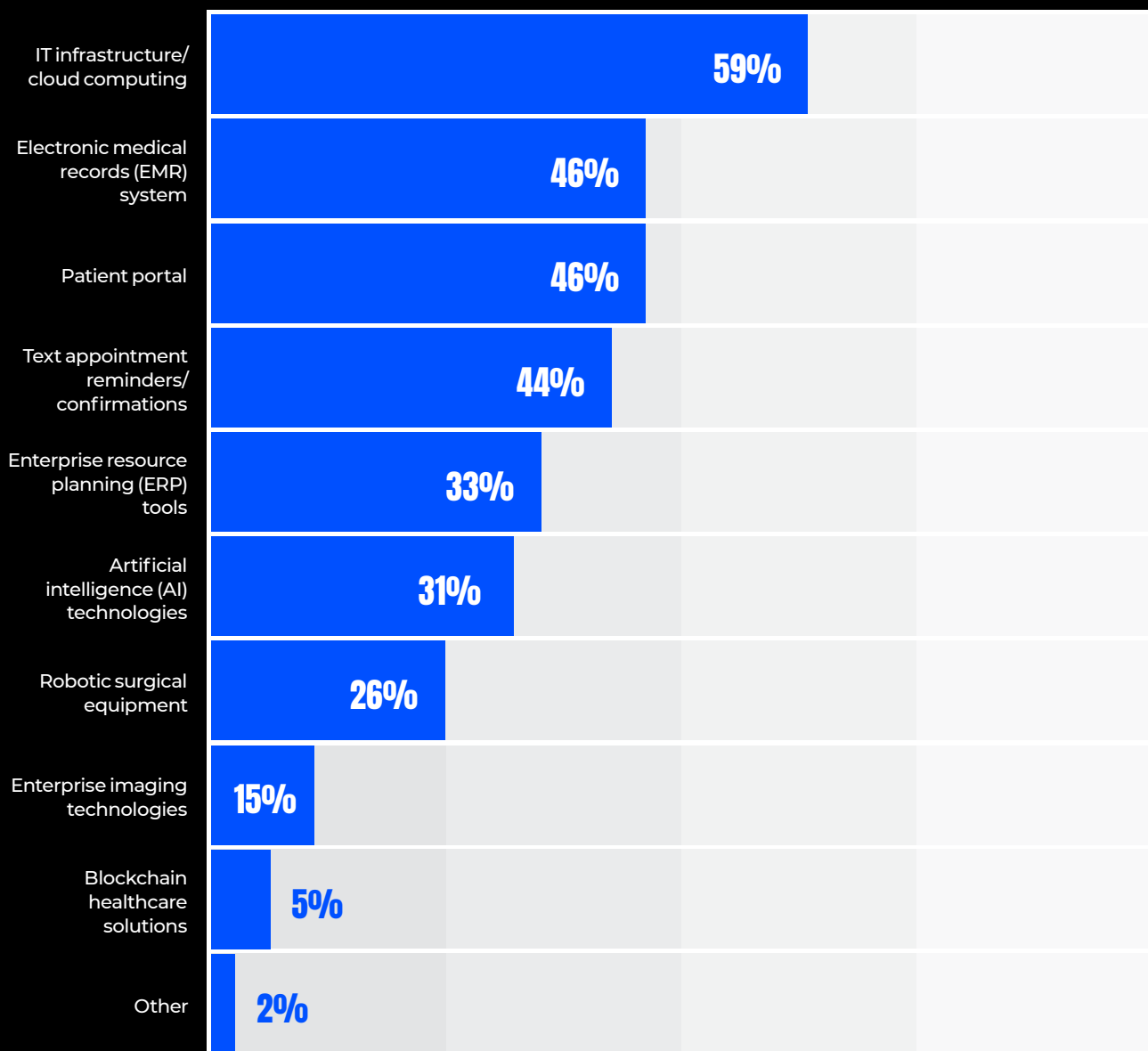
Most investments are directed toward nonclinical business tools versus direct patient care. About a quarter of rural healthcare organizations are investing in robotic surgical equipment. In comparison, about 60% are pursuing cloud computing and IT infrastructure upgrades. Half said they're updating an electronic medical record system. About a third of respondents are upgrading enterprise resource planning tools and artificial intelligence capabilities.

Respondents are also using telehealth to attract and retain staff. Digital healthcare can close service gaps for patients with mobility or transportation challenges, but it's also considered a perk by staff members who want more flexibility in their jobs. In 2021, [61% of primary care health professional shortages](#) were in rural areas. Eliminating or limiting travel is one way to relieve overburdened providers.

Consumerism is also driving more digital patient experiences. However, broadband and computer access are a significant obstacle. A third of rural patients don't have consistent or affordable internet, which they need to access telehealth services and scheduling tools. In addition to upgrading their own technology, rural healthcare organizations will need to try to get technology into more patients' hands.



What technology systems do you plan to expand or purchase?



Thoughts on the future

Rural America's healthcare is complicated, with a mix of successes and ongoing challenges related to access, affordability and use of services. And rural populations deserve to be well cared for as they age. A dwindling number of healthcare facilities are answering the call — and they have our full support.

To serve rural populations, healthcare organizations need to solve the staffing crisis immediately and create technology strategies for the mid- to long-term future.

Workforce

Due to lack of staff, military service members were activated to administer COVID-19 testing, vaccinations and other clinical services in rural hospitals. The support was needed and appreciated — but it was a Band-Aid for a gaping, chronic wound. Testing and vaccination sites aren't in full swing anymore, but the healthcare needs in rural communities are just as dire.

Rural healthcare organizations need a multifaceted approach to tackle the talent issue. They can start by investing in current staff and upskilling employees. They need to automate clerical and logistical tasks to lessen their reliance on human resources. And some business functions may need to be outsourced to secure proficiency or keep costs under control.

Human resources should be front and center in strategic planning so that employee-related processes are smooth and efficient, onboarding is fast, and training and retention programs are well funded and ongoing.

Digital transformation

Rural healthcare organizations need innovation and technology roadmaps for the next five years. And they should go beyond electronic health records and required tools. Physicians are already familiar with evidence-based practice. On the business side, rural healthcare organizations need more data informing their decisions.

Some of the most impactful technology investments are directed toward business management versus patient care — because they enable staff to spend more time and energy on patients. Virtual care, such as telehealth, can make it faster and easier for patients to access care, reduce the cost of delivering care and increase patient satisfaction.

Organizations can also use technology to tighten internal controls. That means patient privacy is more secure and revenue processes are pursued in a consistent and timely manner — every time. Ongoing efforts to increase efficiency and control costs will help rural organizations stay nimble and responsive as their communities' needs change.

Some things will not change. Rural patients may always be harder to serve because of distance and transportation challenges and health literacy issues. But we need to support rural healthcare organizations so they can keep showing up with compassion and savvy. Their hometown roots, community investments and tight relationships are also advantages. Often, they can respond quicker to patient needs because they truly have a pulse on local healthcare.

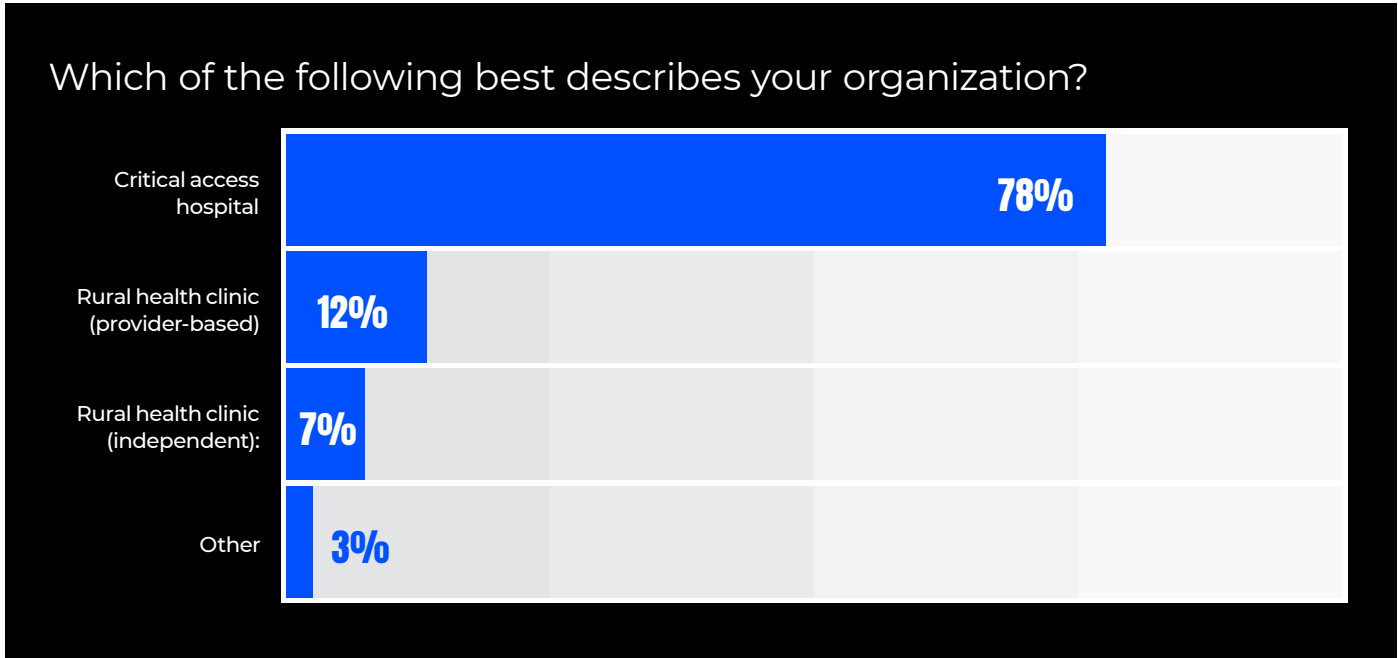
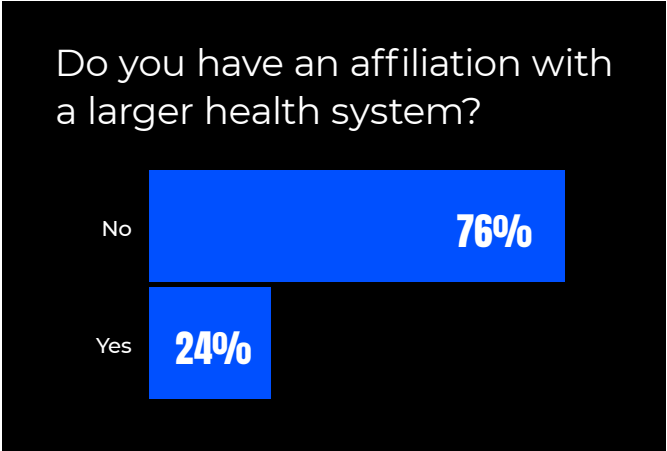
Understanding and managing financial health is critical to managing population health. Together, we can plan for long and healthy futures.

Appendix: The raw data

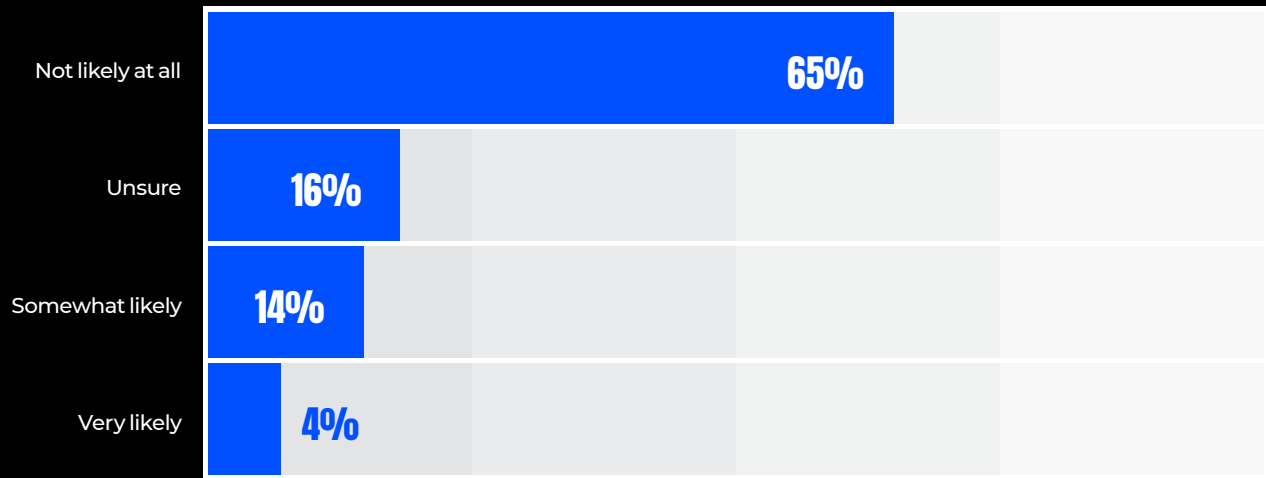
Wipfli received survey responses from 110 healthcare leaders in 25 states.

The survey was emailed out and answers were collected in mid-October through November of 2022. All responses were confidential and anonymous.

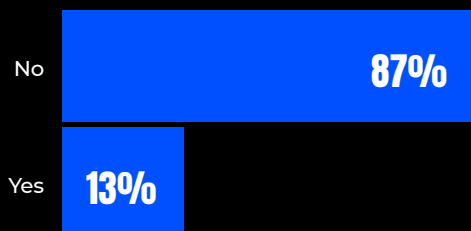
Percentages may not equal 100% due to rounding.



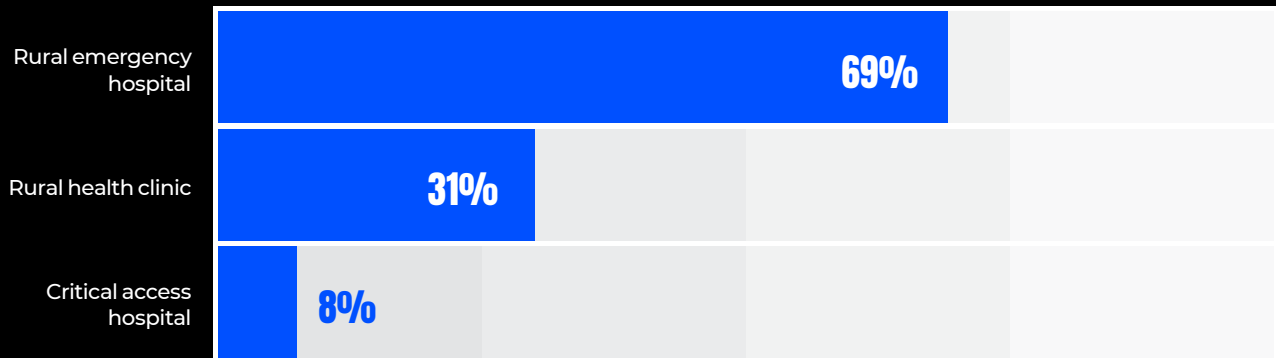
In the next two to five years, how likely is your organization to consider merging or consolidating with another healthcare organization?



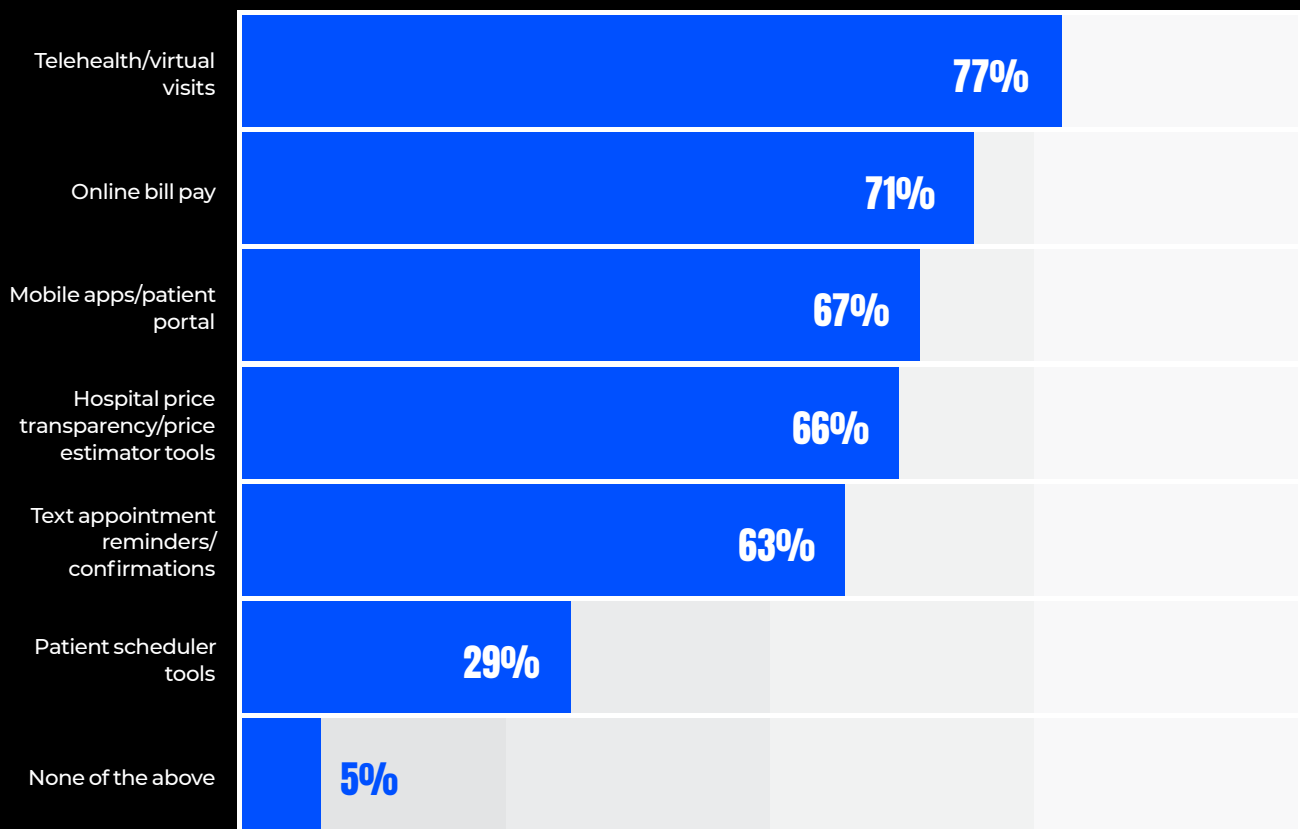
There are a number of different care designations emerging that could potentially improve your financial stability. Are you considering a different model of payment (e.g., rural emergency hospital, conversion to critical access hospital status or rural health clinic?)



Which model are you most interested in or considering?

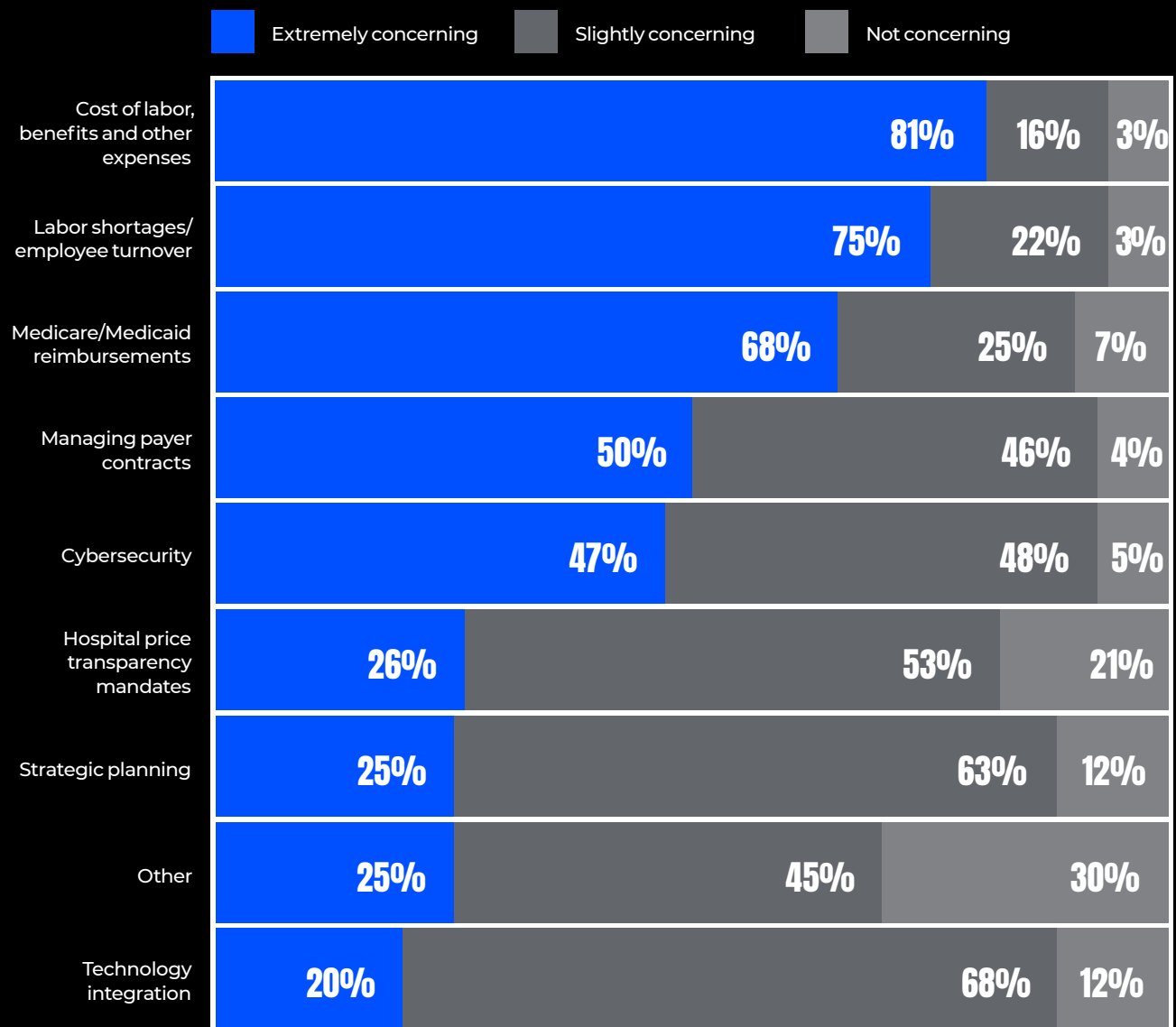


Which of the following tools have you developed/implemented to improve the consumer/patient experience?



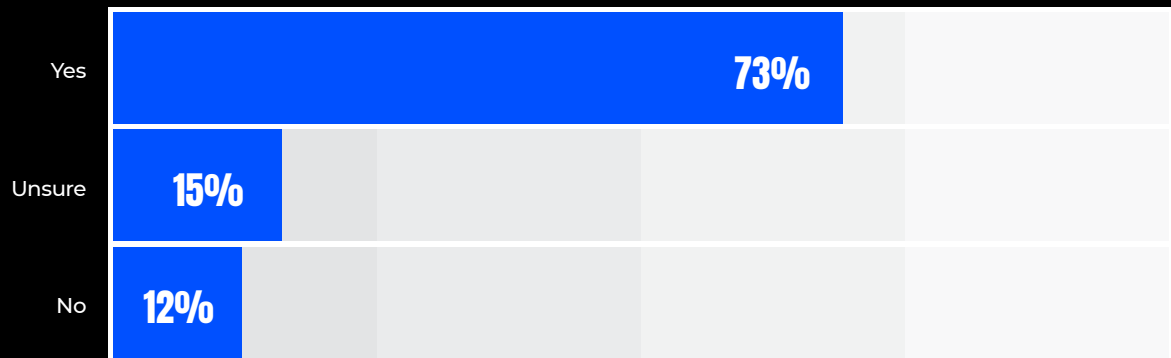
(Respondents were allowed to choose multiple responses.)

Please rate your level of concern for each of the following using a scale of 1–7 with 1 being "not concerning at all" and 7 being "extremely concerning."

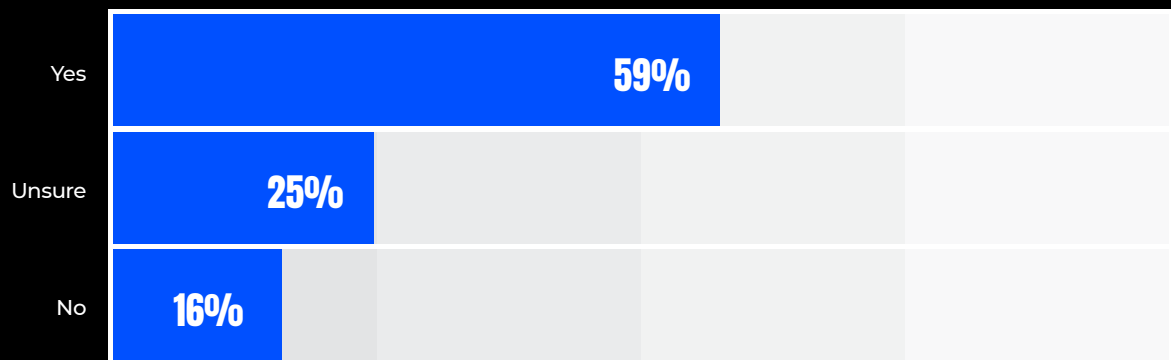


(Other responses included, infrastructure, provider issues and finances.)

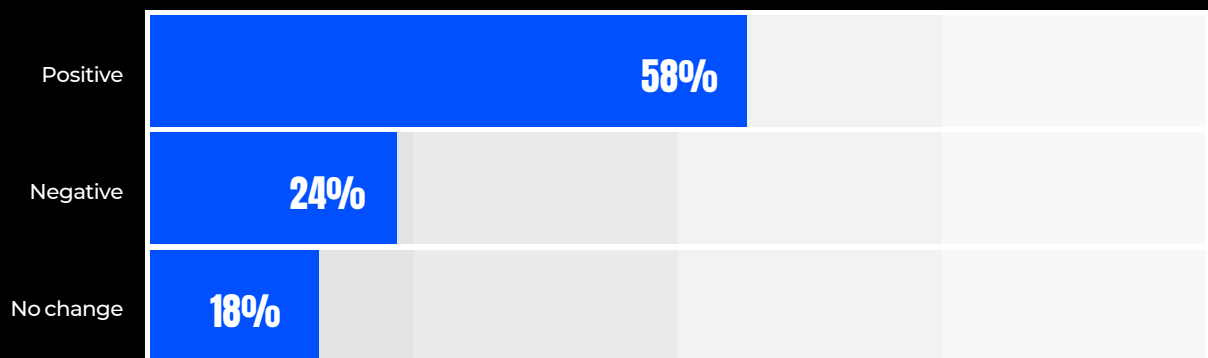
In the next two to five years, does your organization have plans to expand/invest in building new facilities or renovations?



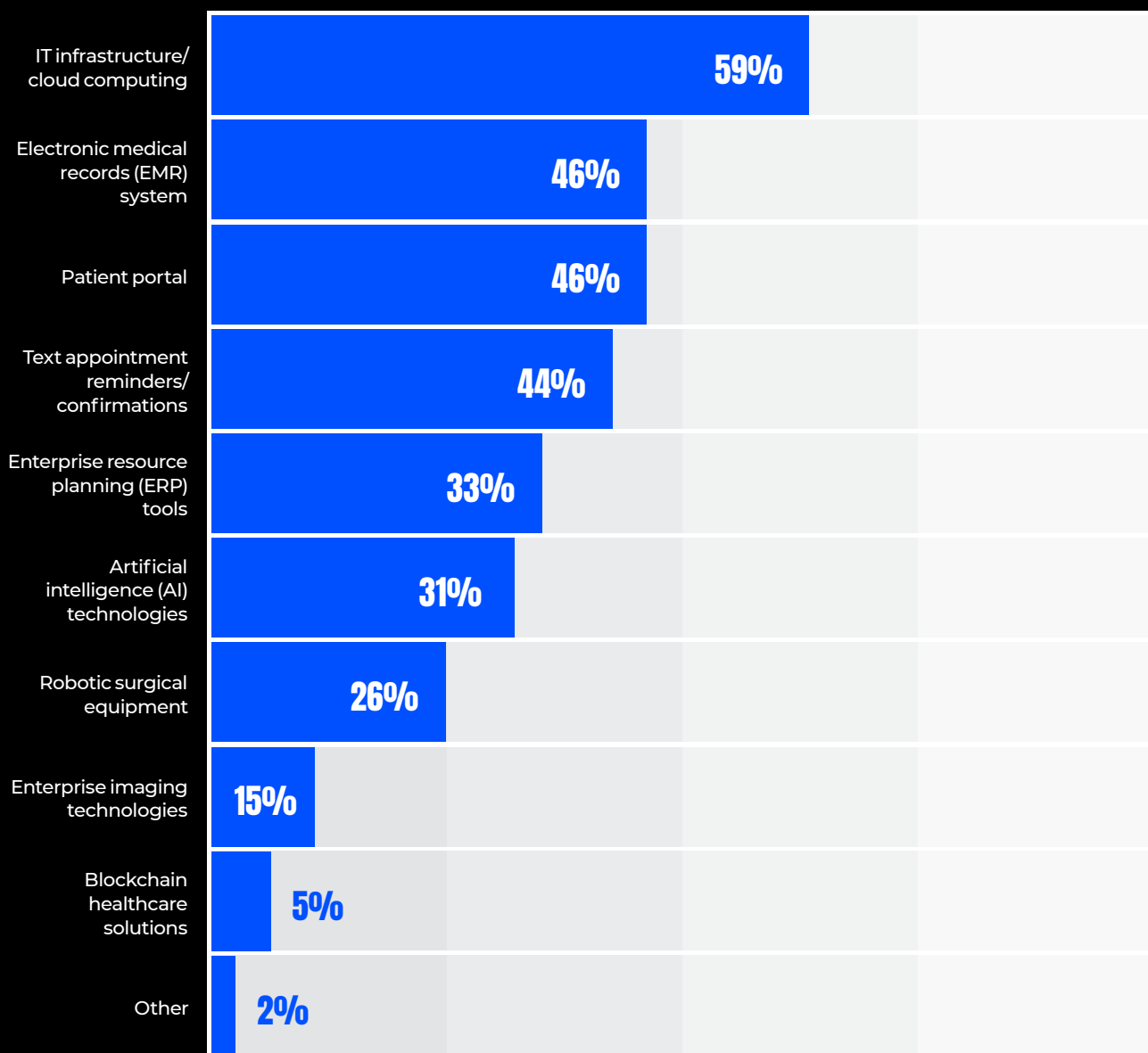
In the next two to five years, does your organization have plans to expand/invest in new technology platforms?



In terms of net revenue, which best describes the growth in your forecasted revenues over the next three years?



What technology systems do you plan to expand or purchase?



(Respondents were allowed to choose multiple responses.)



Perspective changes everything.

Rural healthcare organizations keep people, communities and the economy healthy. We help you navigate an increasingly complex landscape with clarity and confidence.

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