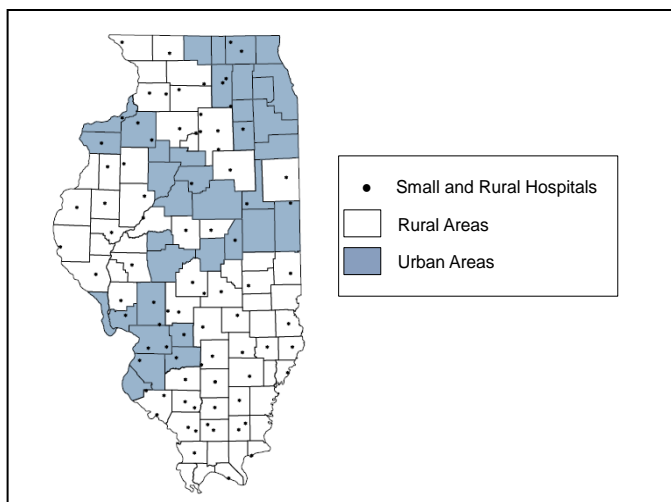


CHARACTERISTICS OF IHA SMALL & RURAL HOSPITALS CONSTITUENCY SECTION

2010

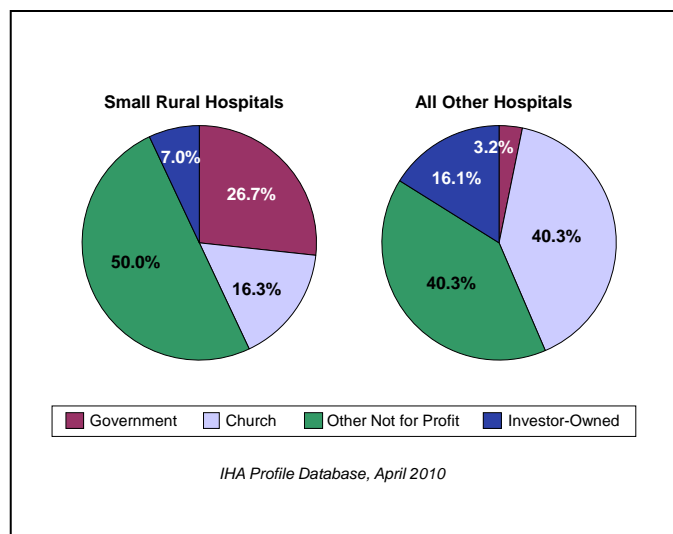
The Illinois Hospital Association’s Small & Rural Hospitals Constituency Section has 86 members. Of these, 64 are rural hospitals and nearly all of them are considered small, with 150 or fewer staffed beds. The remaining constituency section member hospitals are located in urban areas of the state (i.e., within an Illinois Metropolitan Statistical Area). Fourteen are in a large urban area - either the Chicago or St. Louis metropolitan area - and eight are located in other urban areas of the state (regions such as Rockford, Peoria, and Springfield). For the purposes of this report, the members of the Small and Rural Hospitals Constituency Section are called “Illinois small rural hospitals.”

75% of IHA Small & Rural Constituency Members are Located in Rural Areas



All but one of Illinois’ small rural hospitals are community hospitals, meaning that 98.8% are general acute care, short-term hospitals. Like other hospitals throughout the state, the majority are owned by not-for-profit organizations, although small rural hospitals are more likely than others to be government-owned. More than one-quarter of small rural hospitals are owned by government entities, while only 3.2% of other hospitals are government-owned.

27% of Small Rural Hospitals Are Owned by Local Governments

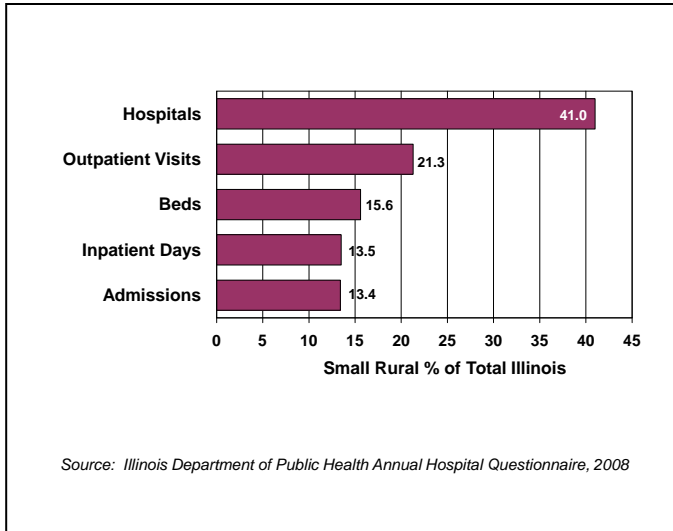


Illinois Small Rural Hospitals Account for 13% to 20% of the State’s Hospital Utilization

Small rural hospitals serve a relatively small and widely dispersed population and therefore are typically smaller than urban hospitals. Almost two-thirds (65%) have 50 or fewer beds, and 81.4% have 100 or fewer staffed hospital beds.

Although small rural hospitals comprise more than 40% of Illinois hospitals, in 2008 they accounted for approximately one-fifth of Illinois hospital outpatient services and one-seventh of Illinois staffed hospital beds, admissions and inpatient days. The typical small rural hospital has 1,373 admissions and 9,534 inpatient days each year. On an average day, about 2,972 patients receive inpatient care and another 18,940 receive care in outpatient clinics, outpatient

Small Rural Hospitals: 40% of Illinois Hospitals and 13% to 20% of Illinois Utilization

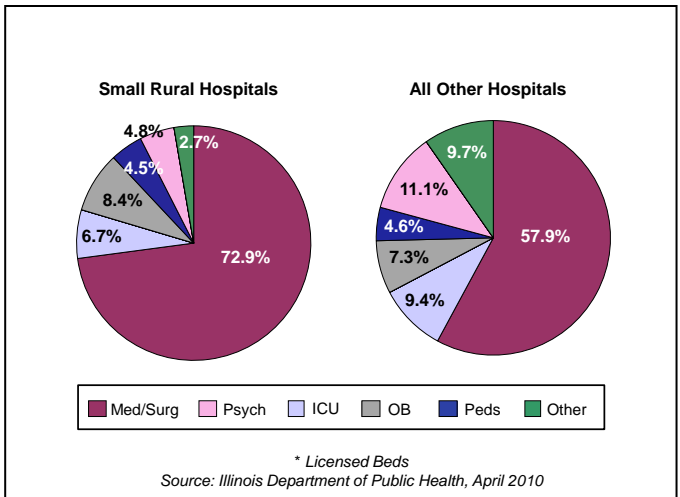


surgery, or emergency departments. In addition, more than 21,000 babies are born in these hospitals each year.

Small Rural Hospitals' Inpatient Focus is on Medical/Surgical and OB Services

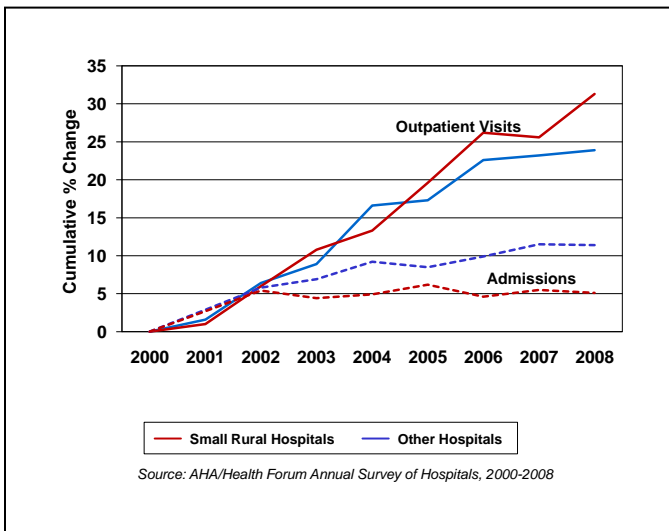
Most small rural hospitals are the only hospitals in their communities, and although many provide specialty services, the great majority of inpatient beds are devoted to general services such as medical/surgical and obstetric care. More than 80% of small rural hospital beds are licensed in these categories. In comparison, only 65% of beds in other hospitals are licensed for medical/surgical or obstetric care.

Med/Surg and Obstetrics Make Up 80% of Beds in Small Rural Hospitals



Long term care is the one non-acute service that is more commonly found in small rural hospitals than in others; 39.7% report that their hospitals include long term care beds, but only 15.3% of other hospitals have long term care. In small rural facilities that provide long term care, these beds represent 41.1% of beds, 7.7% of annual admissions, and more than 50% of inpatient days.

Since 2002 Small Rural Hospitals Admissions Have Been Stable, Outpatient Visits Rising



Outpatient Care is Key to Rural Hospitals' Service Mix

Outpatient utilization has been growing more rapidly than inpatient utilization for some time. This is particularly true in small rural hospitals, where the number of outpatient visits rose by 31.3% from 2000 to 2008. The number of inpatient admissions rose by only 5.1% during the same time period, and have been essentially stable since 2002.

Outpatient Care Represents a Larger Proportion of Small Rural Hospitals' Services

	Small Rural	Other
Growth in Outpatient Visits, 2000-2008	31.3%	23.8%
Outpatient Procedures as Percent of All Surgeries	73.2%	58.9%
Admissions per 1,000 Outpatient Visits	34.7	56.0
Percent of Net Revenue From Outpatient Services	61.3%	40.2%

Sources: AHA/Health Forum Annual Survey of Hospitals, 2000-2008
IDPH Annual Hospital Questionnaire, 2008

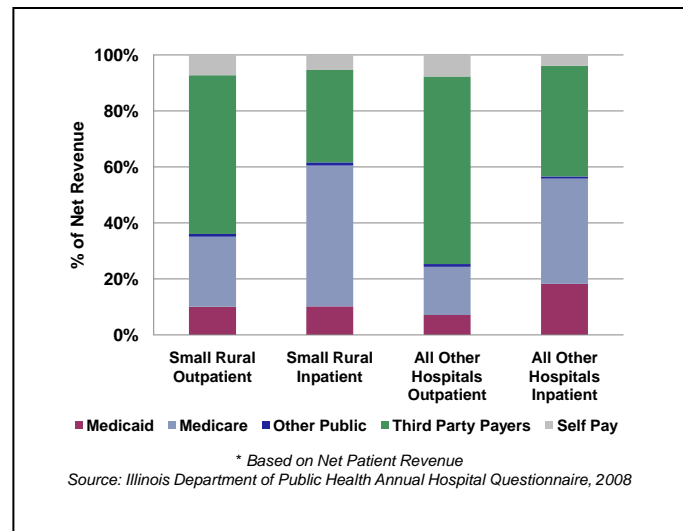
Small rural hospitals provide a greater proportion of their care on an outpatient basis than do other hospitals. In 2008 small rural hospitals admitted 34.7 patients for every 1,000 outpatient visits provided, compared to 56.0 admissions per 1,000 outpatient visits in urban hospitals. Almost three-quarters of the surgeries performed in small rural hospitals are outpatient (73.2%), and outpatient service contributed more than 60% of small rural hospitals' net revenue in 2008.

Patients Treated in Small Rural Hospitals are Typically Older and More Likely to be Insured by Medicare

More than one-half (52.3%) of the patients who receive acute care services in small rural hospitals are over the age of 65, but only one-third of patients in other hospitals are that old. Small rural hospitals also have a larger caseload (15.9%) of those over age 85.

The large proportion of elderly patients in small rural hospitals means that Medicare is a payer for more patients in these hospitals than in others. One-third of net revenues (35%) in small rural hospitals comes from Medicare; only 29.4% of revenues in other hospitals are based on Medicare. In fact, government payers provide a larger proportion of small hospitals' revenue: 36.5% of net outpatient revenue and 61.6% of net inpatient revenue.

Small Rural Hospitals Derive More of Their Revenue From Government Payers



Almost 60% of Small Rural Hospitals Participate in the Critical Access Hospital Program

The federal Critical Access Hospital (CAH) Program was established to help ensure the survival of small and/or rural hospitals that are vital to their communities but have become endangered due to declining reimbursements, rural workforce shortages, and other changes in the rural health care environment.

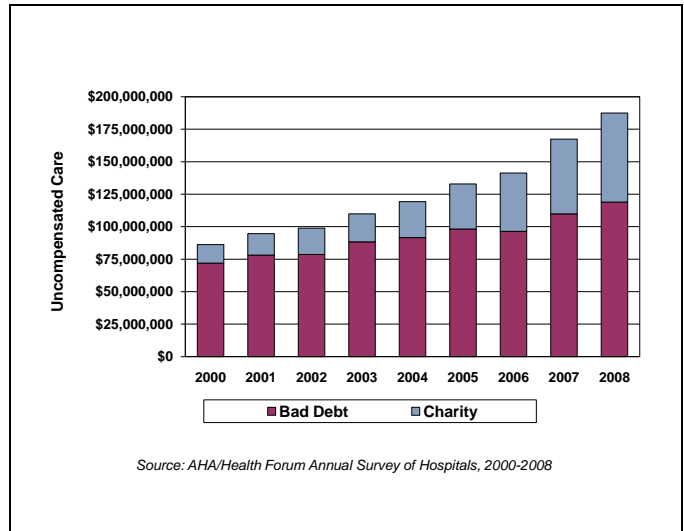
The first Illinois hospitals achieved CAH status in 1999; 51 Illinois hospitals are currently designated as critical access hospitals, and almost 60% of small rural hospitals qualify for the program. As such, they are certified to receive 101% cost-based reimbursement from Medicare.

Small Rural Hospitals Provide More Than \$187 Million in Uncompensated Care

Small rural hospitals contribute many benefits to their communities, including the provision of care to patients regardless of ability to pay. In 2008, the uncompensated care provided by Illinois' rural hospitals cost the hospitals more than \$187 million. The majority of this amount was in the form of bad debt, which cost small rural hospitals \$118.9 million in 2008; charity care represented an additional \$68.8 million.

The cost absorbed by small rural hospitals in providing uncompensated care rose by 117% between 2000 and 2008, with the amount of charity care rising by 380% during the same period.

The Cost of Providing Uncompensated Care Grew by 117% Between 2000 and 2008



Rural Hospitals are Cornerstones of Their Communities

Rural hospitals have a direct impact on the well-being of their local communities, employing 37,600 workers, or 16.1% of the state's hospital workforce. They pump \$1.88 billion into their local economies in the form of employee salaries and benefits. Rural hospitals also have a significant indirect effect on their communities, spending an additional \$1.7 billion on goods, services, and other hospital expenses.

Sources:

AHA/Health Forum Annual Survey of Hospitals, 2000-2008

IHA COMPdata, 2008

Illinois Department of Public Health

April 20, 2010