Letters to the Editor

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Health Care in North Carolina

The N.C. Center's report on 16 rural hospitals "at risk" for closure or transformation into a health clinic has caused quite a bit of controversy among our members. Since Nov. 18, when the report was released to the public, I and other members of our staff have spent hours and hours talking with rural hospital administrators, hospital public relations staffs, and news reporters concerning the results of the Center's study. Hospital administrators and public relations staffs have, in turn, spent hours and hours talking with individuals and businesses in their communities concerning this report.

I must tell you that we at the North Carolina Hospital Association and our member hospitals are extremely disappointed in the Center's approach to this issue. We are disappointed at the manner in which the study was conducted and at the Center's handling of the issue. Let me explain our concerns about the study.

■ . . . [T]he study data is inconclusive and does not offer a complete picture of rural hospitals' financial health. The study included only inpatient data. It did not include revenues generated from outpatient services, home health agencies, long-term care, hospices, and philanthropic gifts. If inpatient revenues were the only source of revenues for hospitals in North Carolina, 57 percent of all rural hospitals would operate in the red; about 56 percent of urban hospitals would operate at a deficit.

■ It was not clear to us whether or not all the hospitals in the study counted "swing beds." It appeared some may have, some may not. If that is the case, the study compared apples with oranges.

■ The study's data was two years old. Health care is a dynamic field, and a good many things have changed in two years. Hospitals on your list have diversified services. While the Center's report did mention the EACH/PCH program, it did not allude to some of the diversified services these hospitals have offered. Some have opened long-term care units, for example. Others have begun joint ventures with larger hospitals.

. . . [W]e continue to receive calls from potential employees wanting advice on whether they should take jobs at these "at risk" hospitals, calls from administrators who are speaking to local community groups assuring them the hospital will remain open, and calls from administrators who are angry that the Center's story has caused so much confusion for their patients and their employees. On behalf of those hospitals, NCHA asks for an apology.

—Barbara Barnett
Director of Communications
North Carolina Hospital Association

We, the trustees of Beaufort County Hospital, hereby formally express our concern and displeasure over the recent study released by the N.C. Center for Public Policy Research which designated Beaufort County Hospital as being a moderately "at risk" rural hospital.

Drawing such a broad conclusion through the use of just five statistics, all of which measured only inpatient activity, is incredulous at best, and raises serious questions about the "research" being done at the Center. To disregard the impact of the shift to outpatient activity, as well as the omittance of any analysis of financial statistics or indicators from the study is inexcusable.

The negative impact of the report was exacerbated by the distribution of a press release from the Center entitled "NC Center Says 16 Rural Hospitals Are 'At Risk,'" which enticed newspapers to print bold headlines and created concern, particularly among the elderly, regarding the ongoing availability of medical care in our community. The ensuing newspaper article did extensive damage to Beaufort County Hospital's image, public relations efforts, physician recruitment, and reputation.

In the case of Beaufort County Hospital, the conclusion drawn by the study is totally inaccurate. The hospital experienced a banner year in 1991, a year which continued a five year upward trend of strong earnings, financial stability, and facility improvement. Physician recruitment efforts were successful, new services were offered and existing services expanded, and over $1.6 million (almost 9 percent of net revenues) was put back into the facility in the way of renovations and capital equipment expenditures.

Beaufort County Hospital has mirrored the changing face of health care over the years and has metamorphosized into an institution cognizant of its mission. Through planning and a demonstrated ability to change, the hospital has positioned itself to continue to fulfill that mission.

We urge the Center to temper their future efforts at analysis of health care issues with a more thorough understanding of the myriad of factors to be considered in evaluating the viability of a hospital. We also urge that the proper discretion be used in the presentation and dissemination of the findings of such studies.

—The Board of Trustees
Beaufort County Hospital

The Center Responds

The Center received four letters from hospital officials complaining of its analysis of the challenge facing rural hospitals ("Rural Health Care in North Carolina: Unmet Needs, Unanswered Questions," November 1991, pp. 67–92). In addition to the letter from the North Carolina Hospital Association, the other three letters came from hospitals which were labeled "at substantial risk" or "at moderate risk" in the Center study.

Critics make four main points which are reflected in the letters above. Those complaints are: (1) that the study did not provide a complete picture of a hospital's financial health; (2) that it was not clear whether "swing beds"—those used for both long-term and acute care—were counted in the study; (3) that the data were two years old and things have changed in the hospital field; and (4) that the "at risk" designation hurt staff recruitment efforts at hospitals and confused the public.

The Center believes each of these points to be worthy of response, but first we'd like to explain why we undertook this project. The North Carolina Hospital Association in 1989 surveyed its members and found that hospital administrators anticipated that as many as 20 hospitals in North Carolina might close by the year 2000. In an effort to examine the causes of difficulties in the hospital industry, the N.C. Center for Public Policy Research asked researchers at the Department of Health Planning and Analysis and the Cecil G. Sheps Center for Health Services at the University of North Carolina at Chapel Hill to examine rural hospital utilization rates to determine whether some hospitals might be at risk of failing to serve their missions.

The researchers chose five measures of inpatient activity deemed reliable indicators of a hospital's health. But researchers also obtained net revenue figures the hospitals themselves reported to the federal Health Care Financing Administration. These figures are defined to include revenue from *all* sources, so the argument that the Center included only revenue from inpatient activities is problematic.

The fear that we counted swing beds in some hospitals and not in others is groundless. Researchers chose *not* to include swing beds in the study on grounds that use of beds for long-term care would be more a measure of nursing home care than hospital care. Some hospitals wanted swing beds included and provided us with information on their use of swing beds. This would have invalidated comparisons with other hospitals which did not supply the information, and it reinforced our decision *not* to include swing beds.

The project began in January 1991, and the data used were the latest *publicly available.* As is Center practice for all research reports, the results of this research, along with a lengthy narrative article, were sent to more than 55 reviewers statewide. The list of reviewers included *all the rural hospitals mentioned in the report*—including Beaufort County Hospital, top officials of the N.C. Hospital Association, and nearly three dozen more state officials, economists, health professionals, advocates, state legislators, academicians, educators, and other interested parties. *That mailing asked each hospital for a written response.* In addition, the hospital administrators were sent a separate copy of the HCFA information as soon as it became available.

Those mailings were sent to *all* administrators of the rural hospitals on Sept. 13, 1991, and Oct. 2, 1991. The magazine was published Nov. 19, 1991—a full six weeks after the final review. Several hospital administrators took the opportunity to explain how their circumstances had changed, and the Center made every effort to include their responses in the article or to re-evaluate

the risk. One hospital's response resulted in removal of the "at risk" designation. Another hospital administrator was disappointed *not* to be labeled "at risk." The Center found Beaufort County Hospital to be deficient on two of five indicators included in our study. Of particular concern was the fact that the hospital's occupancy rate was 48.2 percent when the statewide average for hospitals with 100 or more beds was 66.9 percent. As a result, Beaufort County Hospital was labeled "moderately at risk of failing to meet its service mission."

A final point was that the labeling of hospitals as "at risk" hurt their image in the community. While the Center regrets any difficulty this may have caused local hospitals, we think that increased discussion of the role of rural hospitals will prove to be beneficial in the long run. We were careful to point out that the "at risk" designation did *not* predict closure for any of the 16 hospitals included—only that these hospitals were at risk of *failing to meet their service mission.*

The research, the *Insight* article and the press release all explicitly stated that *the data do not predict closure,* but instead make it clear that state and local policymakers must focus attention on the needs of rural hospitals if they are to continue as vital links in the health care chain in rural North Carolina. Our purpose in releasing this report was to help state policymakers and the affected communities focus their debate about what health services they need and can afford.

—Ran Coble
Executive Director

More on Health Care

Kudos for the current double issue of *North Carolina Insight.* You've added valuable new information (and insight!) to the mountains of references I've accumulated for our consumer decision-making approach to health care costs.

For whatever it's worth, I do have one comment. In studying the article [on cost containment (Health Care Cost Containment: Does Anything Work?" November 1991, pp. 48–66)], I was surprised to find no mention of the cost of drugs (both prescription and over-the-counter) and medical equipment. I'm not talking just the overcharges . . . —but the profit margin (*after* genuine research and development costs) of both pharmaceutical and medical equipment companies . . . Looking forward to seeing the balance of the story.

Again, many thanks to everyone involved in this mammoth project. You've addressed a monstrously complex issue in a logical, comprehensible manner, and are to be commended for providing both data and human considerations to our public policymakers as they wrestle with the decisions ahead.

—Janice Holm Lloyd
Extension Specialist in
Family Resource Management
North Carolina Cooperative Extension Service

I wanted to thank you for my copy of the November issue of *North Carolina Insight.* It has been interesting reading. I would say it generally reflects the frustration most Americans are feeling about our health care system. After all these years of trying to contain the cost and deliver the services, universally we are spending more to serve too few, too late. Obviously there is a multitude of reasons for this, and no single cure is going to work. I have some ideas of my own, none likely to win me any popularity contests, but I certainly do not have the solution.

—Alice R. Hammond
Assistant Administrator
Randolph Hospital, Inc.

In my new capacity, I just wanted to say what a great job the N.C. Center for Public Policy Research has done on its publication "Health Care in North Carolina: Prescription for Change." The series of articles featured in the November issue of *North Carolina Insight* addresses one of the most serious issues facing our state in a timely, accurate, and informative manner. No doubt the issue will play an important role in educating our state's leaders in the public and private sectors about the impending crisis in health care. The articles were intelligent, balanced, and offered clear explanations of some very complex issues.

I know I will use the information gathered to better educate business and industry statewide about the problems we face—and about some possible solutions.

I salute you and the staff at the Center for Public Policy Research for a job well done! I am proud that the Governor's Commission will soon be joining your board of corporate members.

—Ben Garrett
Coordinator of Business
& Industry Initiatives
Governor's Commission on
Reduction of Infant Mortality