



THE
CHARTIS
GROUP

Crises Collide

The Rural Health Safety Net
Under Pressure

February 2021



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Population Health Disparity

Rural v. Urban

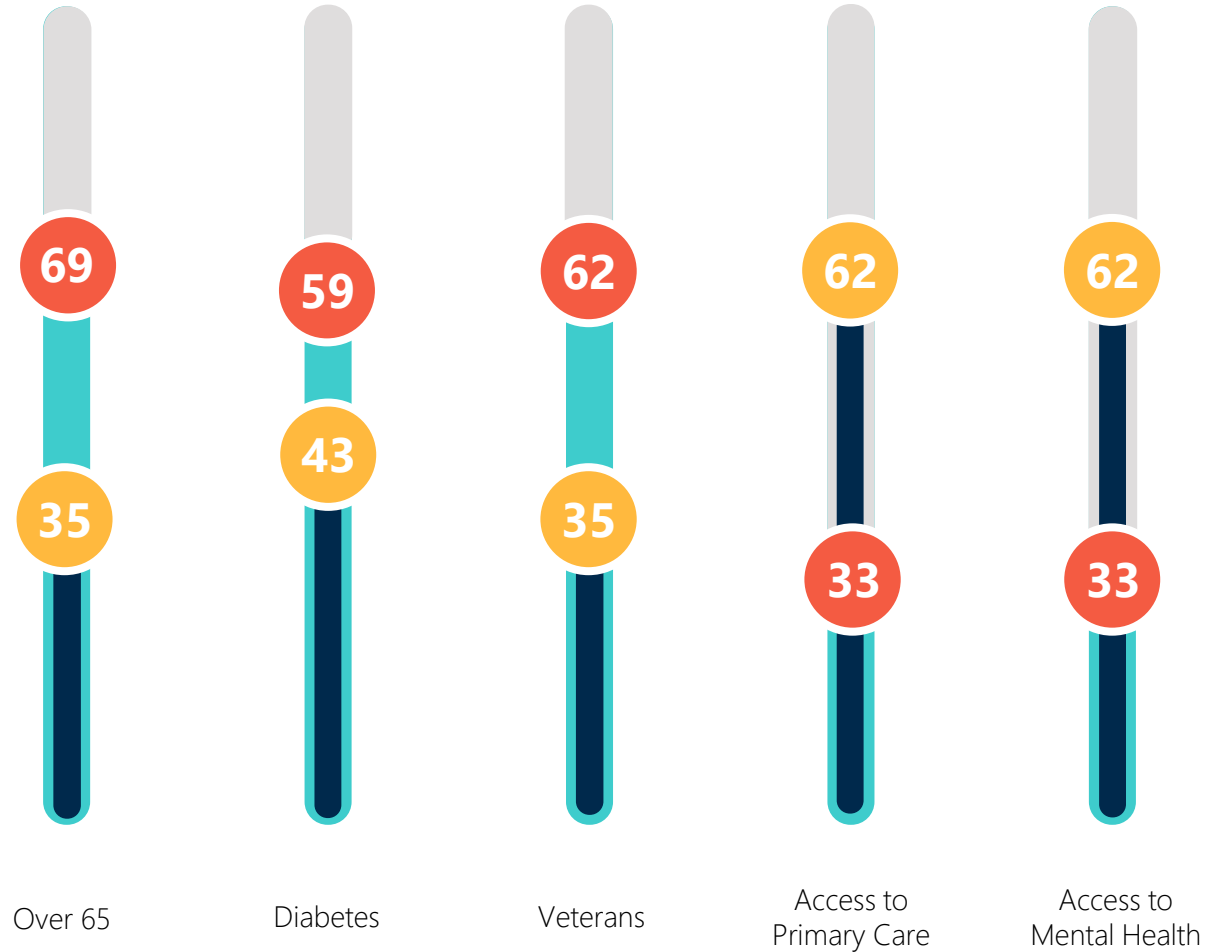
Percentile Ranking



Rural



Urban

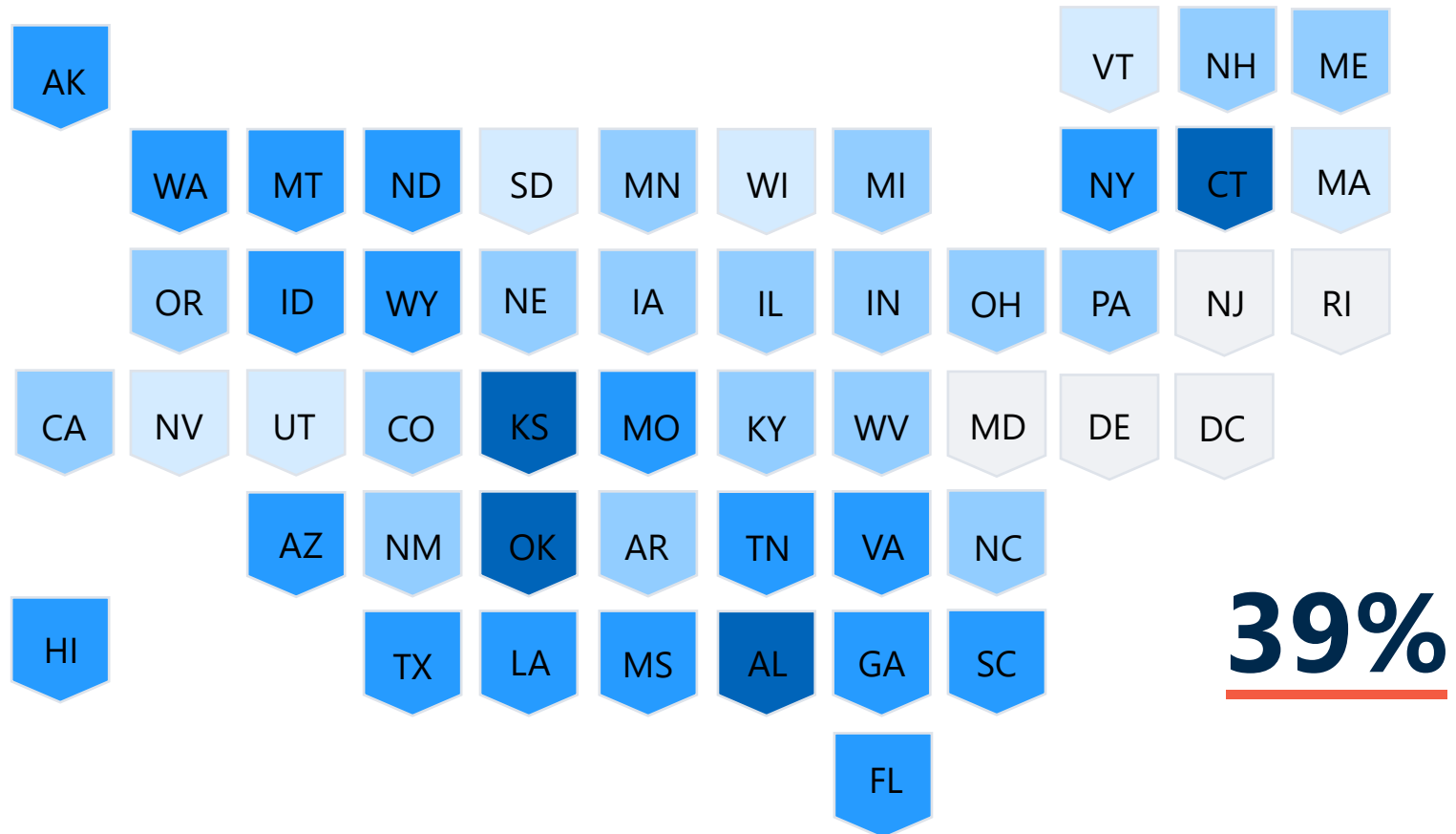


Convergence of Multiple Pressure Points



Rural Hospitals with Negative Operating Margin

2015



39%

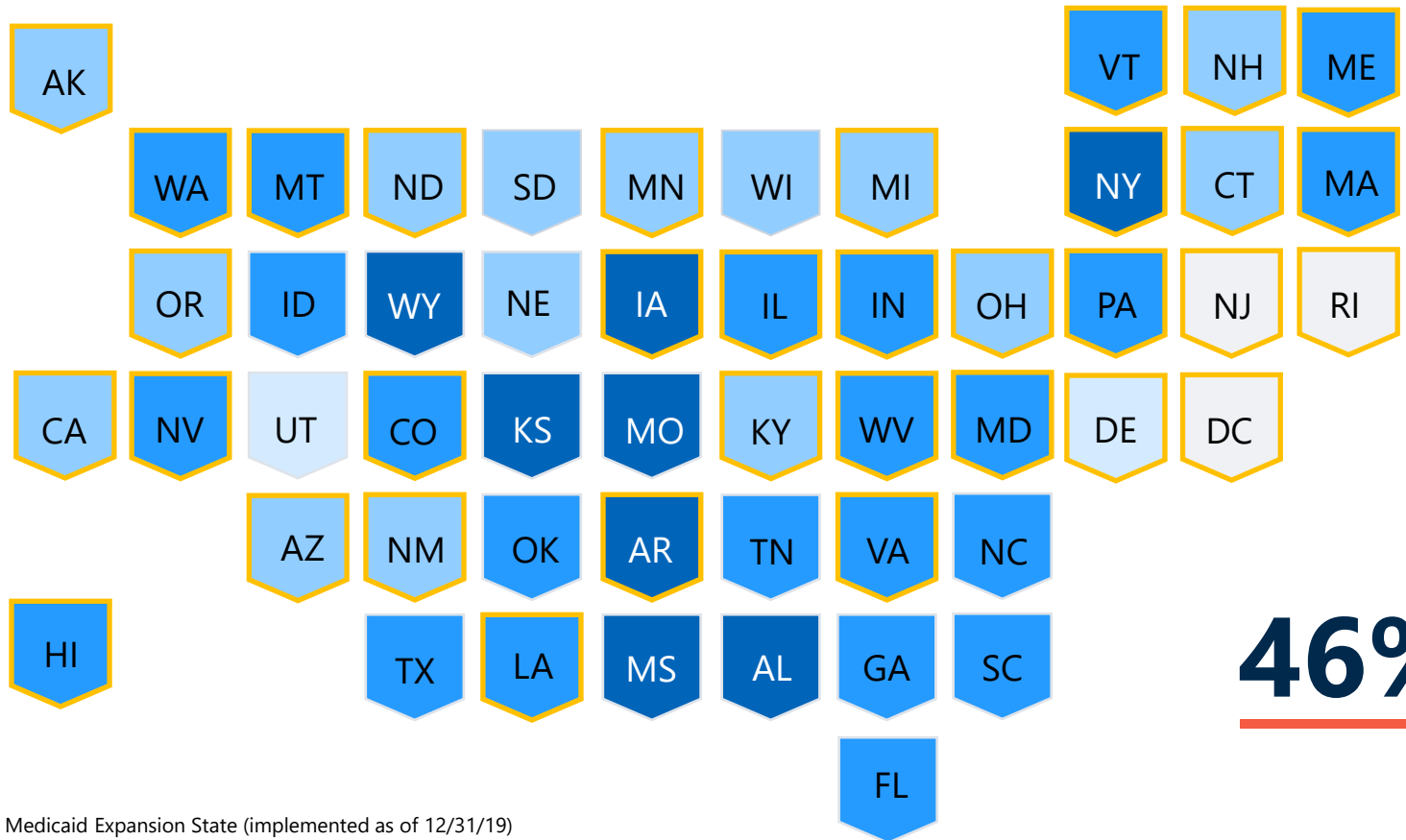
State-level percentage of rural hospitals with negative operating margin.



Source: The Chartis Center for Rural Health, 2021.

Rural Hospitals with Negative Operating Margin

2021



46%

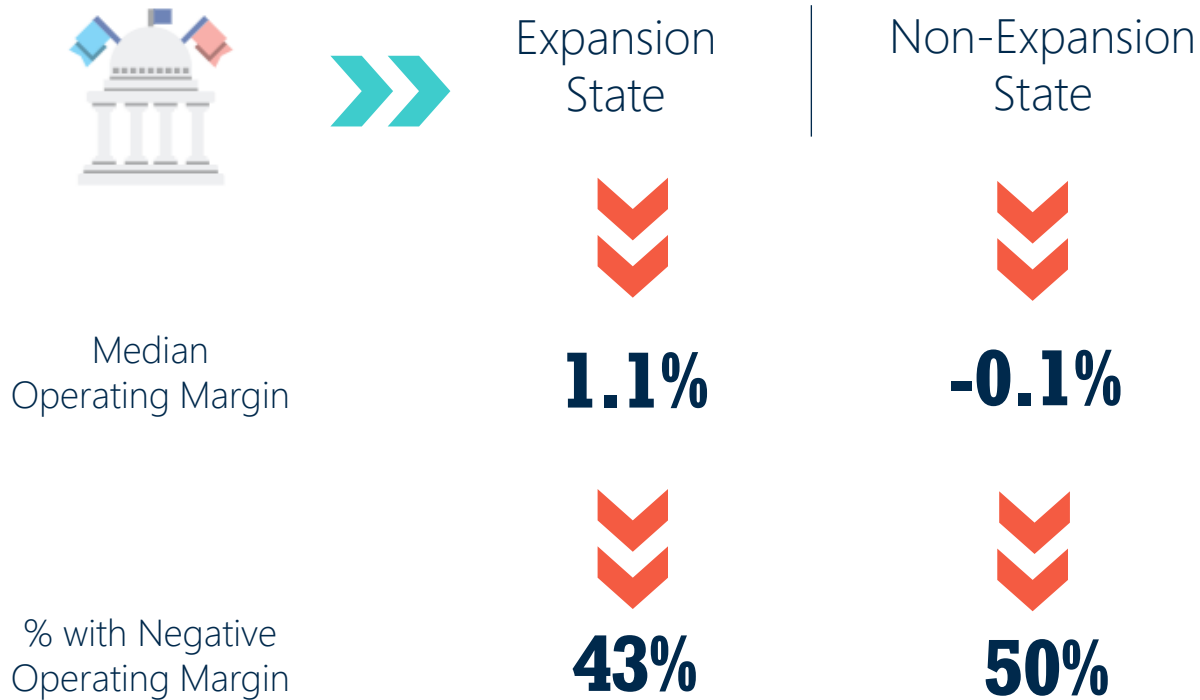
State-level percentage of rural hospitals with negative operating margin.



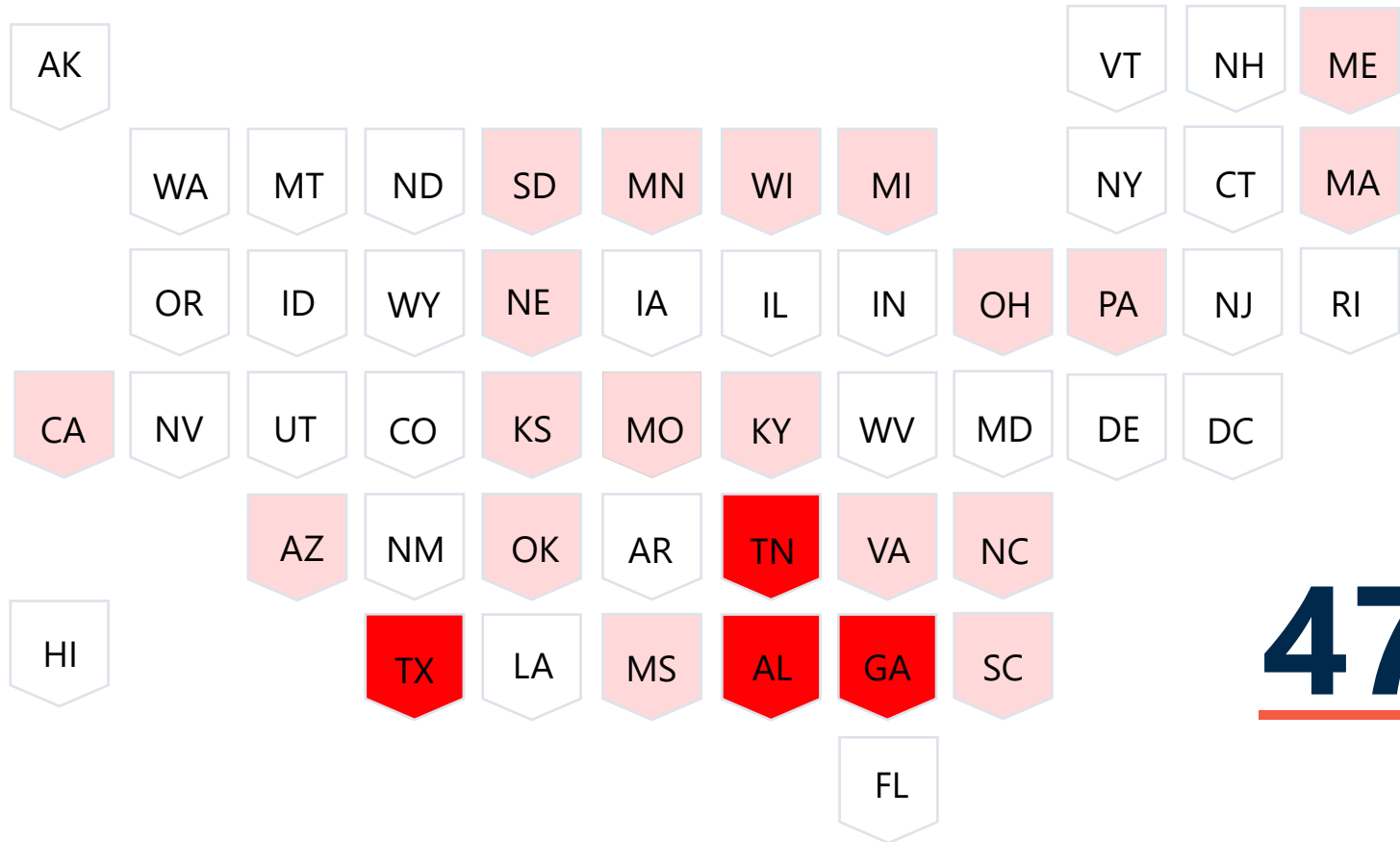
Source: The Chartis Center for Rural Health, 2021.

Hospital Operating Margins

Medicaid Expansion v. Non-Expansion States



Hospital Closures – January 1, 2015



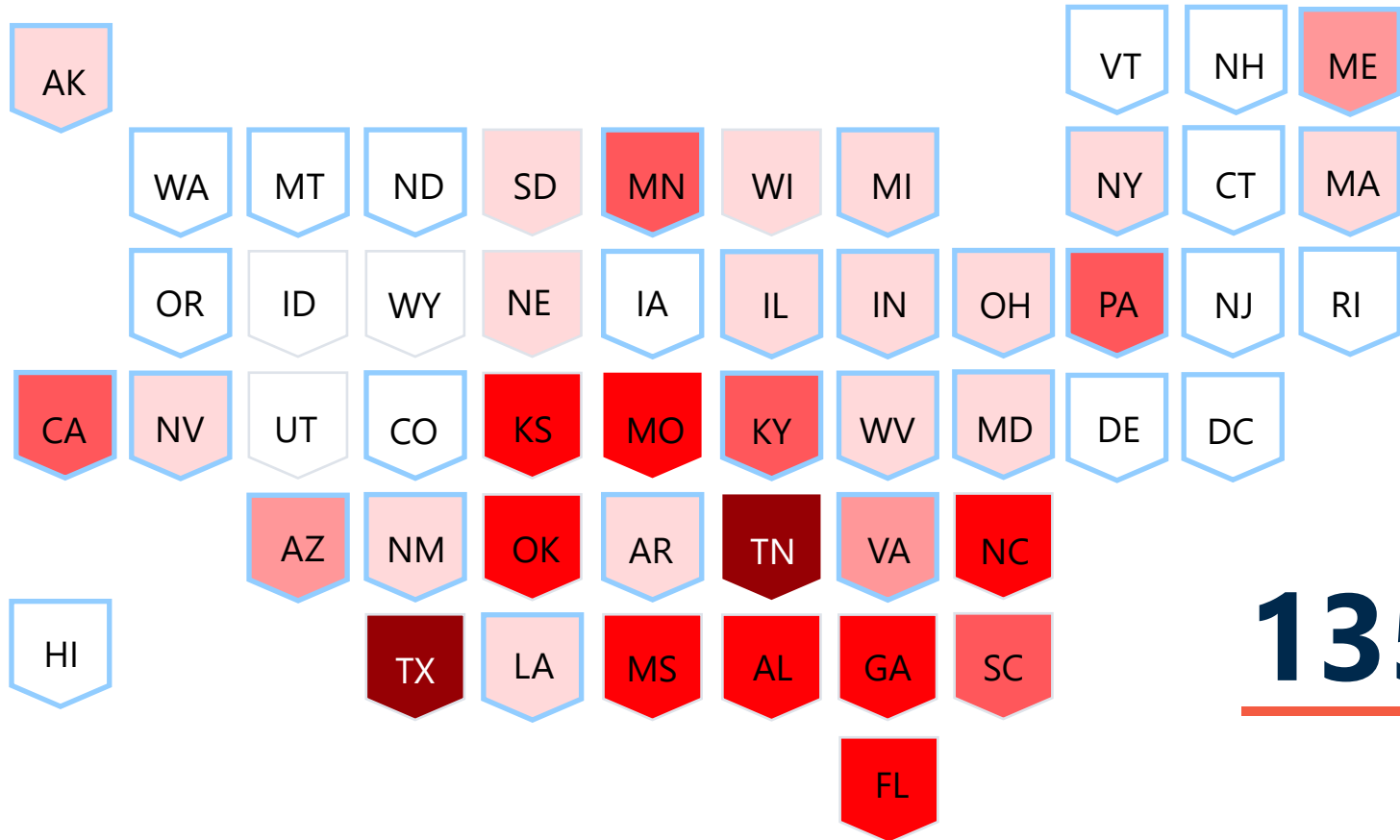
47

Number of rural hospitals closed since 2010.



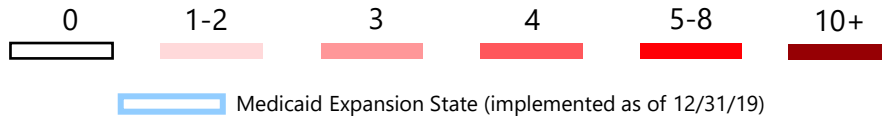
Source: Sheps Center, UNC

Hospital Closures – February 4, 2021



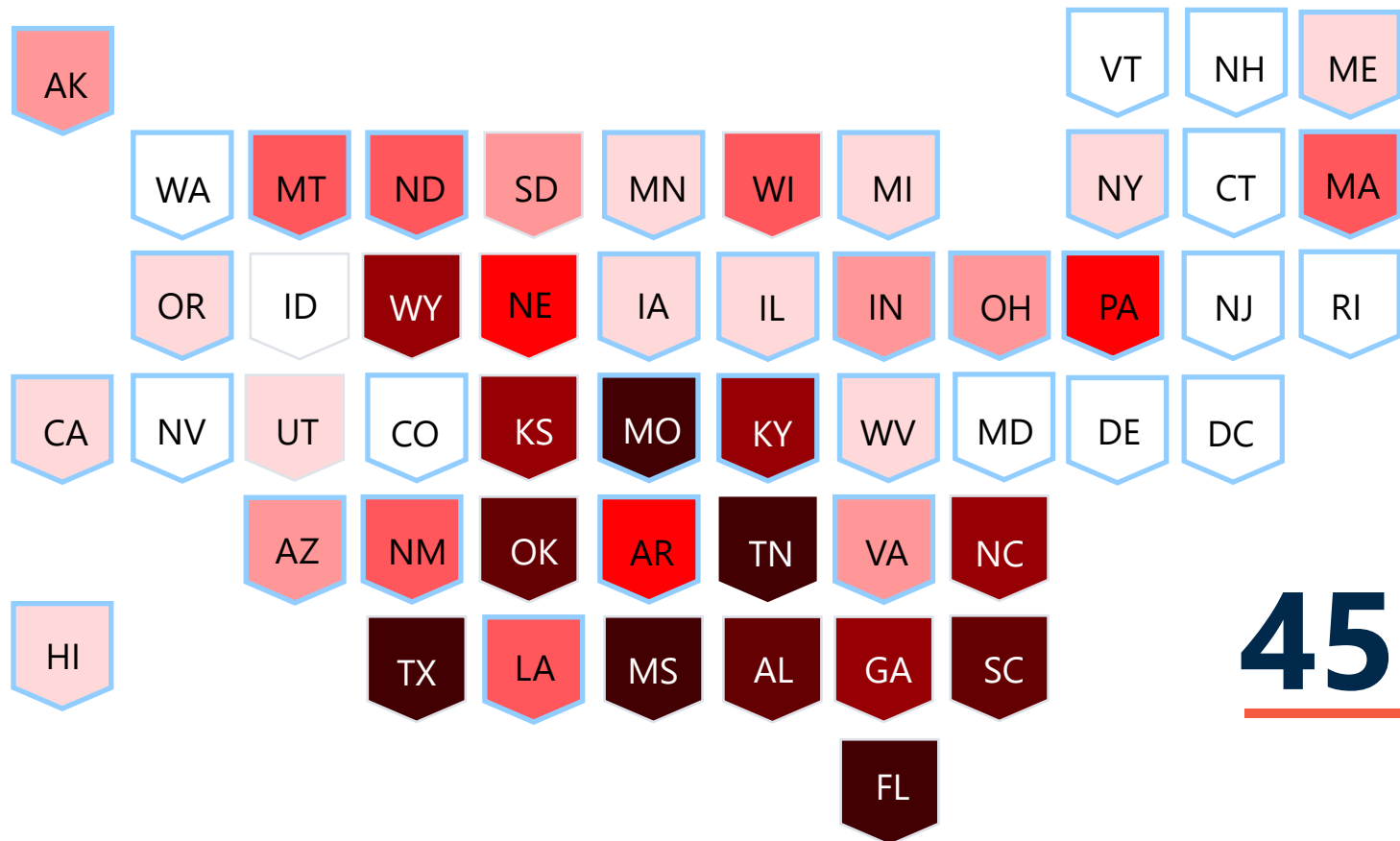
135

Number of rural hospitals closed since 2010.



Source: Sheps Center, UNC

Rural Hospitals Vulnerable to Closure



453

0 1%—9% 10%—15% 16%—20% 21%—25% 26%—30% 31%—40% 41%+

Percentage of State Rural Hospitals Determined to be Vulnerable

Medicaid Expansion State (implemented as of 12/31/19)

Stability of the Rural Health Safety Net

Region View

WEST



Vulnerability Creeps Across Region

- 396 rural hospitals
- 10 closed
- 30 vulnerable
- 1.5% median OM
- 42% negative OM



SOUTH



Epicenter of closures and vulnerability

- 777 rural hospitals
- 89 closed
- 269 vulnerable
- 0.4% median OM
- 47% negative OM



MIDWEST



Vulnerability May Foreshadow Closures

- 832 rural hospitals
- 26 closed
- 137 vulnerable
- 1.7% median OM
- 39% negative OM



NORTHEAST

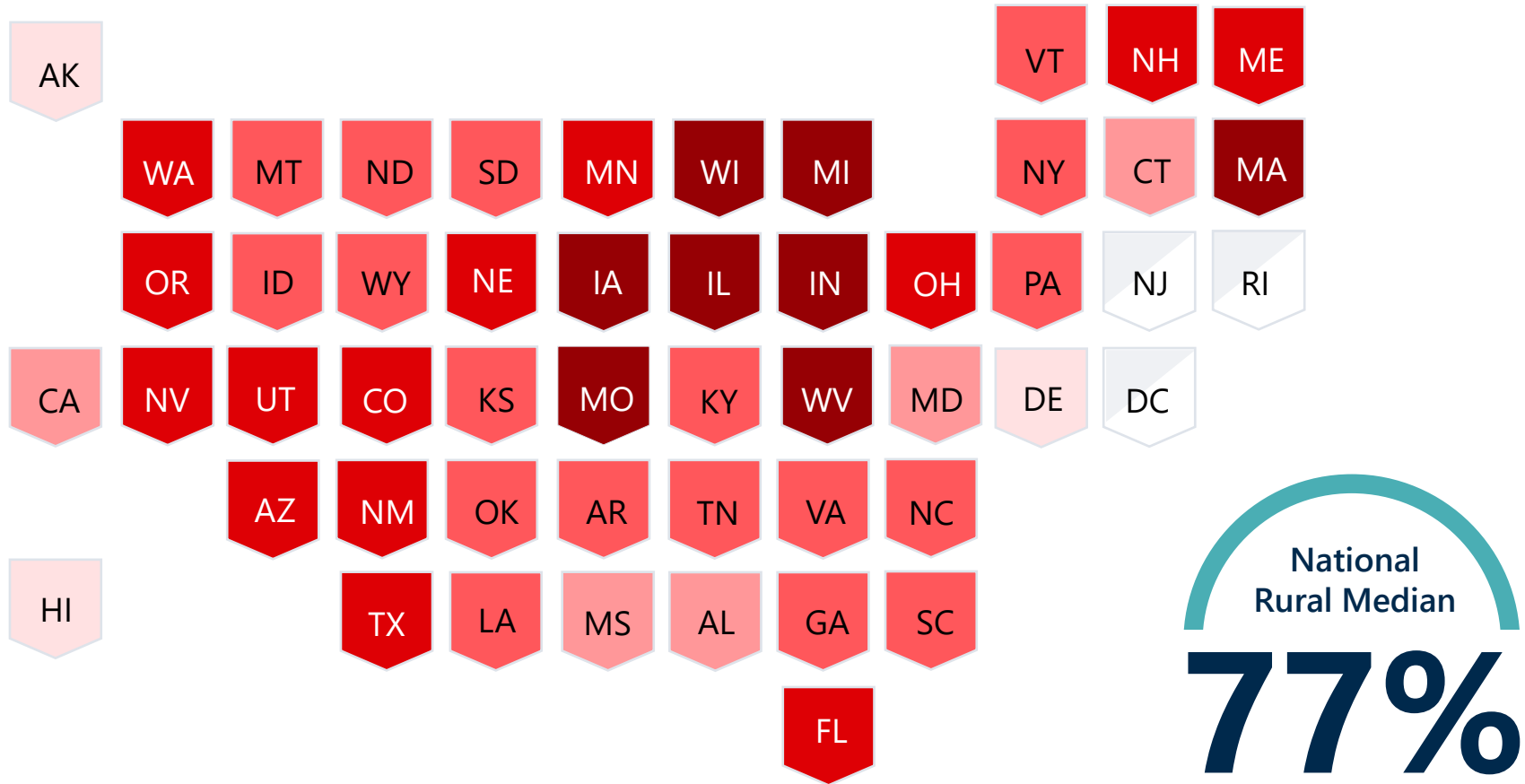


Larger states not immune

- 156 rural hospitals
- 10 closed
- 17 vulnerable
- 0.5% median OM
- 46% negative OM



Outpatient Services as % of Total Revenue



National Rural Median
77%



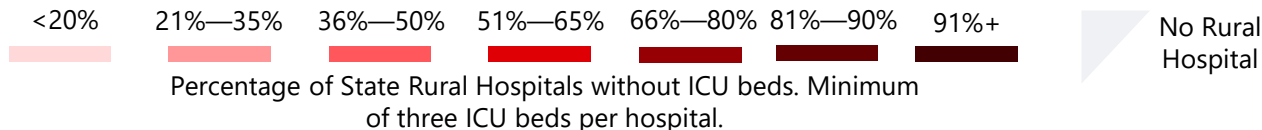
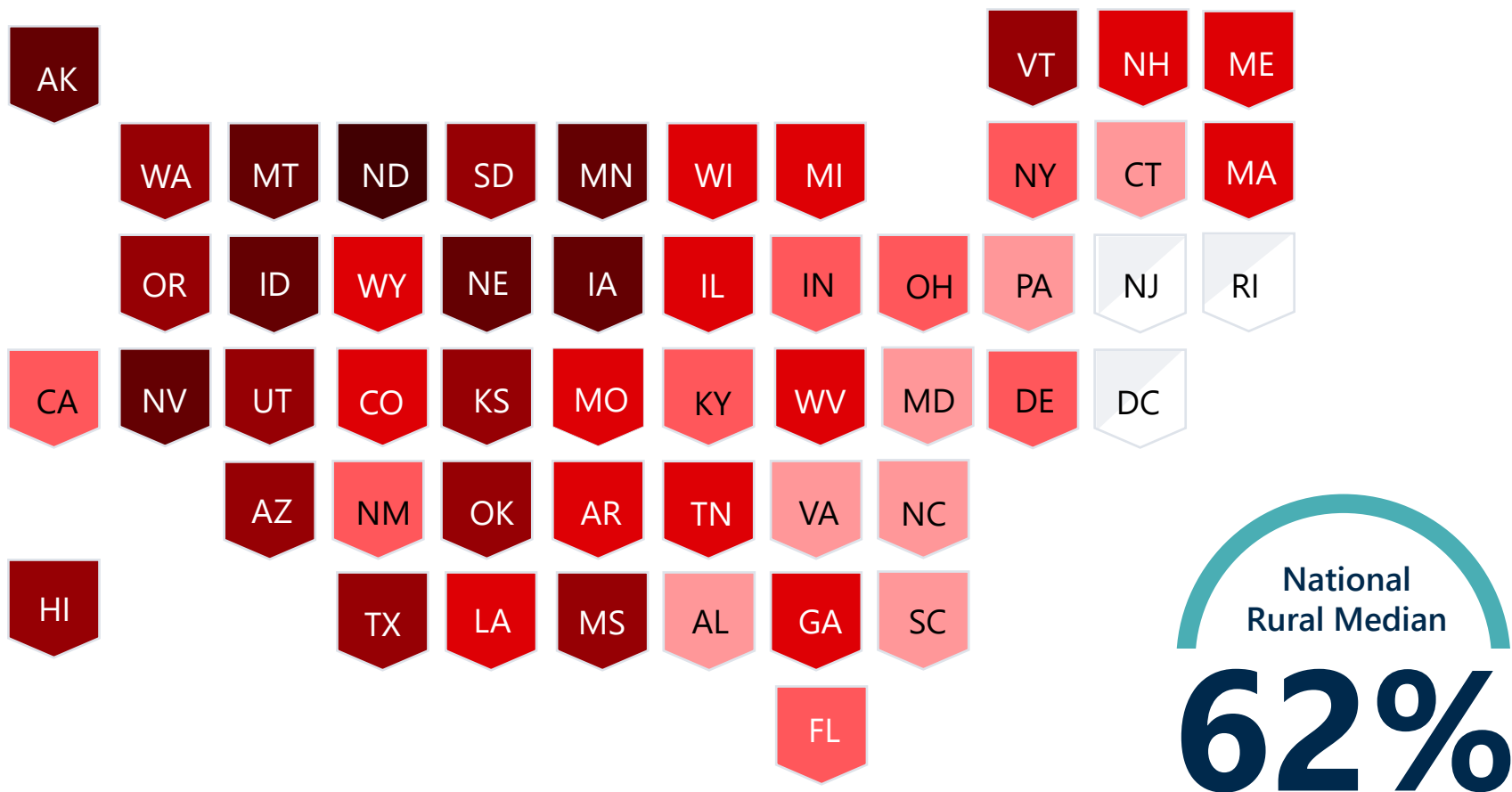
Percentage of Revenue Associated with Outpatient Service Lines.

Days Cash on Hand

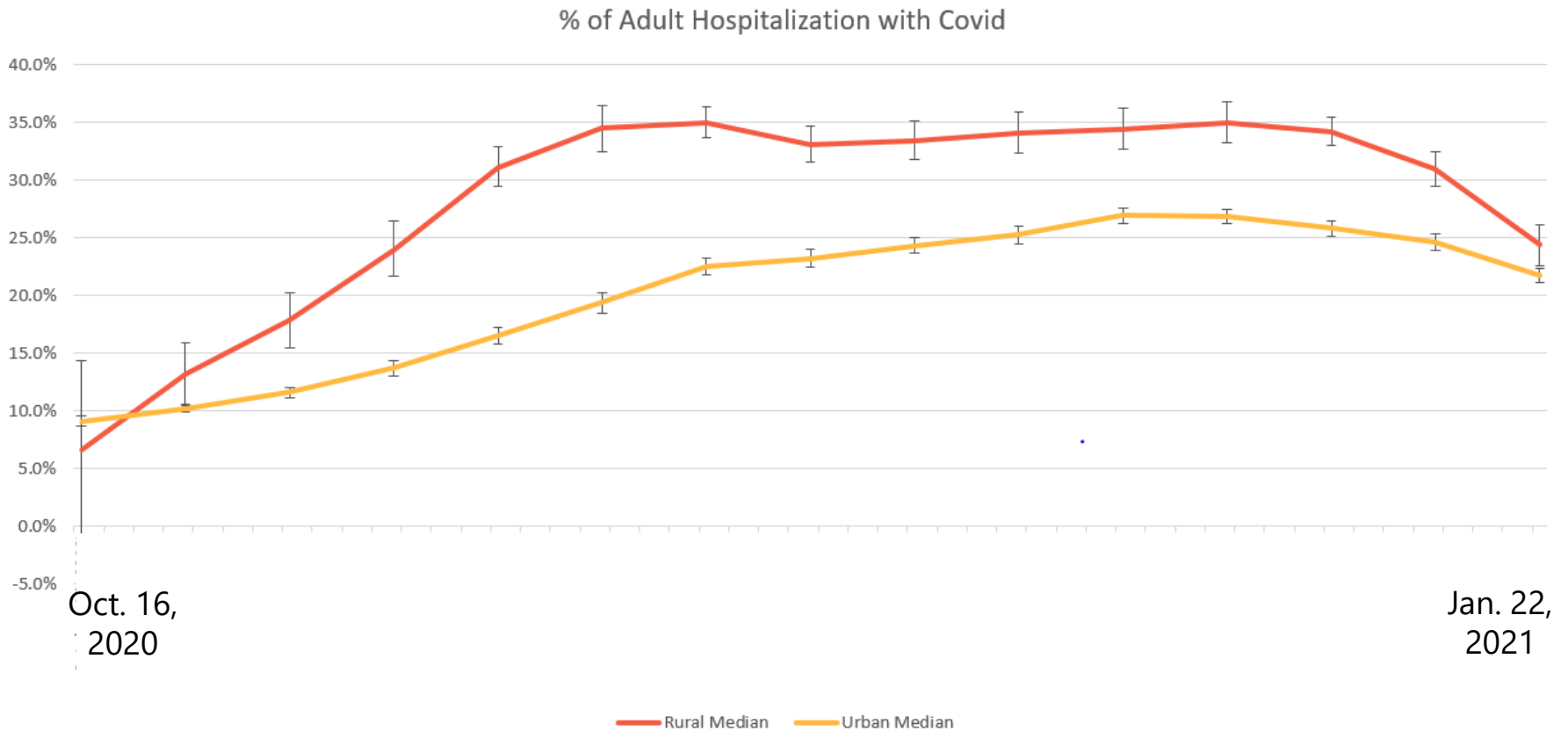


Median Days Cash on Hand for All Rural Hospitals within a State.

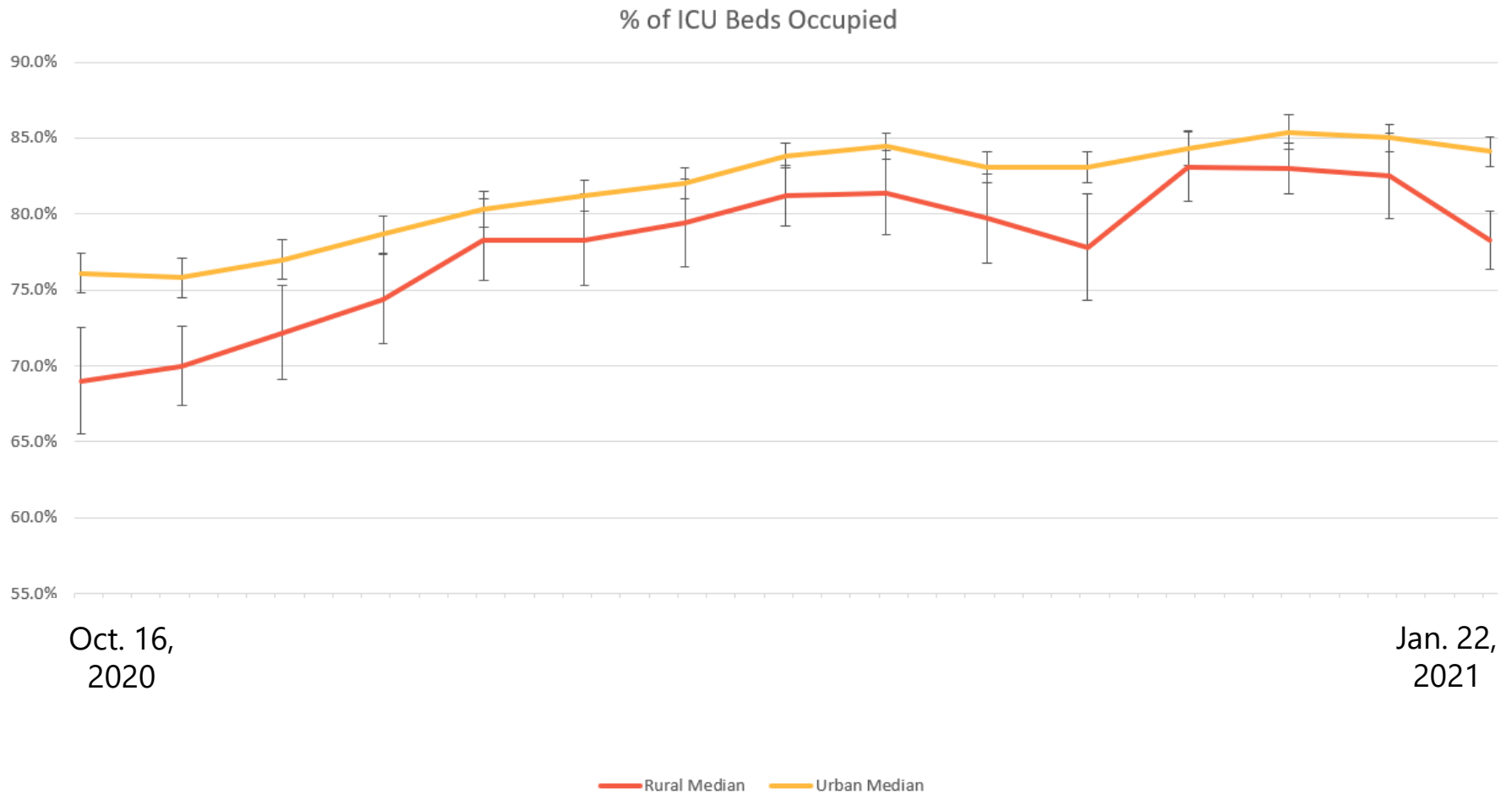
% of Rural Hospitals without ICU beds



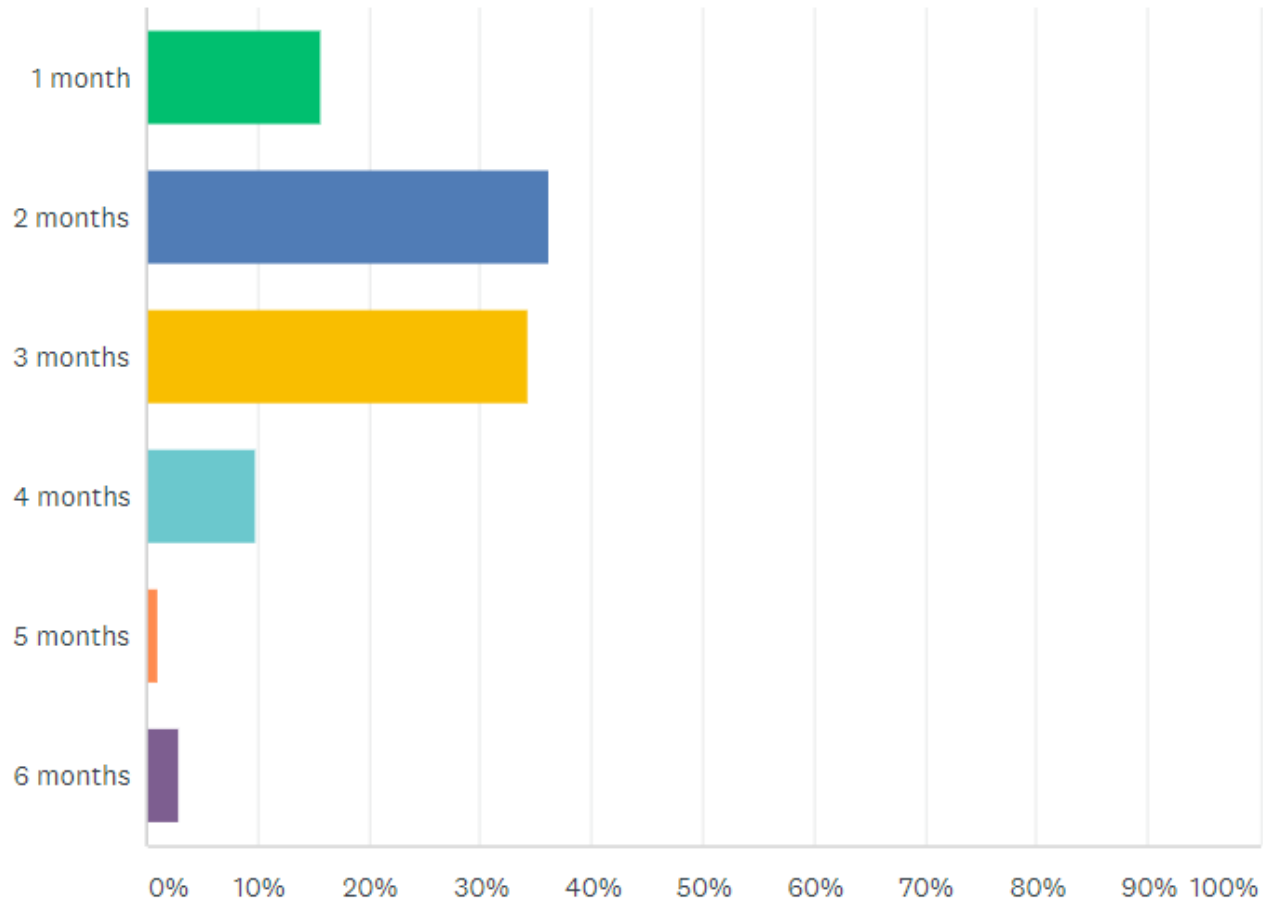
Rural America Grapples with the Pandemic



Rural America Grapples with the Pandemic

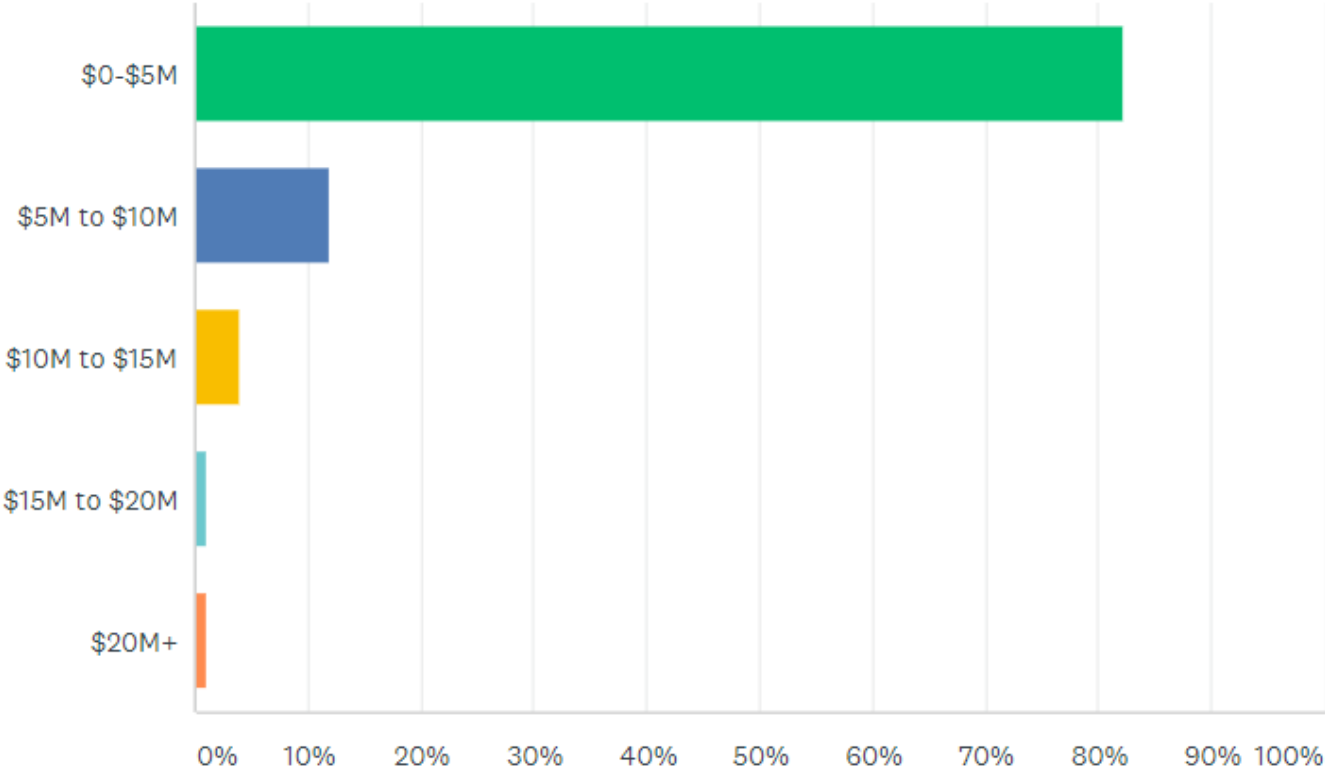


How long did your facility suspend Outpatient Services due to COVID?

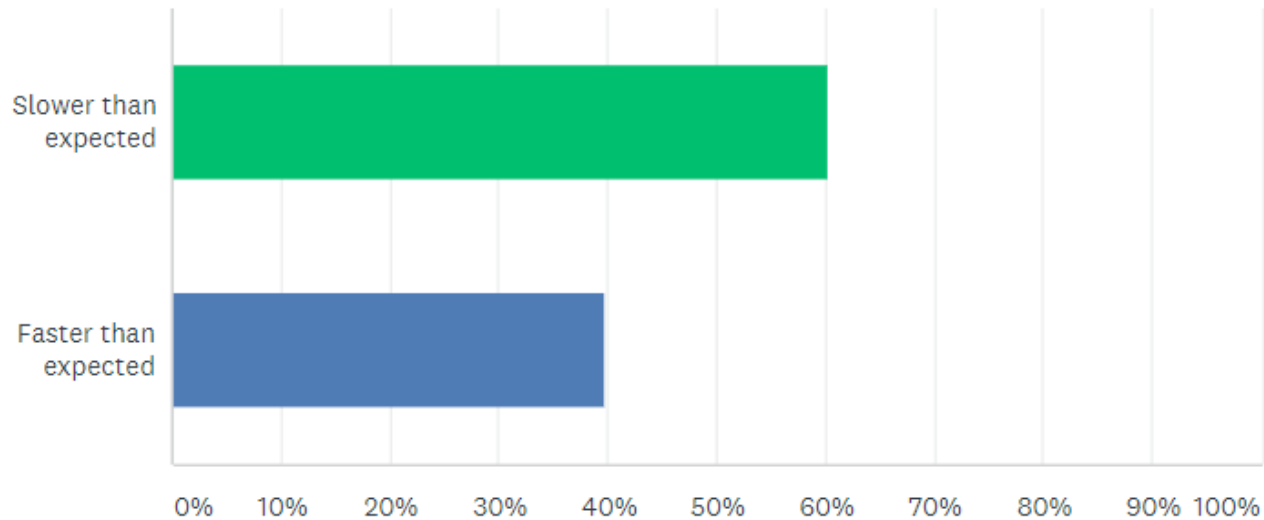


How much Outpatient revenue would you estimate your facility lost due to service suspension?

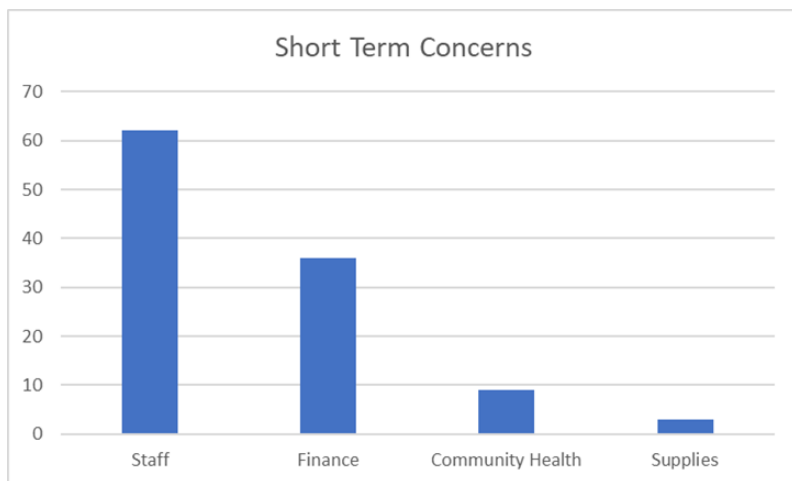
On a per month basis



If you have resumed Outpatient Services, how would you describe demand recovery thus far?



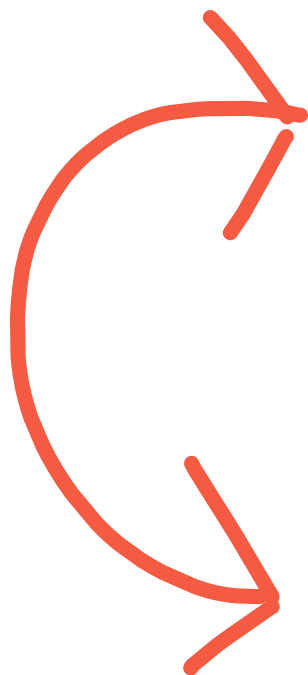
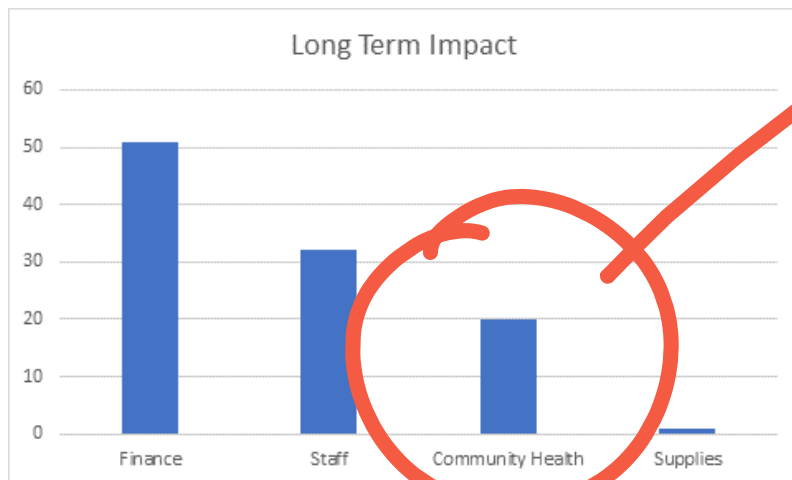
How are rural hospitals thinking about what comes next?



Distrust of healthcare/govt

Delays in care

Higher use of telemed



RURAL HEALTH SAFETY NET UNDER PRESSURE

Recent 340B Manufacturer
Actions

Discontinued Access to 340B drugs for Contract Pharmacies

- September 1, 2020
 - **Eli Lilly**
 - ↘ Offers chance for covered entities to designate 1 contract pharmacy to receive 340B drugs, if no in-house pharmacy exists
- October 1, 2020
 - **AstraZeneca**
 - **Sanofi**
 - ↘ Unless hospital uploads contract pharmacy scripts through Second Sight Solutions and its 340B ESP platform
- November 16, 2020
 - **Novartis**
 - ↘ Exempts community pharmacies within 40-mile radius of the hospital
- January 1, 2021
 - **Novo Nordisk**

***Merck has requested hospitals provide data to 340B ESP, but has not cut off 340B shipments*

Introduction of Kalderos Platform

- “340B Pay”
 - A technology platform to accumulate 340B-eligible scripts & pay rebates on the back-end, rather than offering 340B discounts with the initial drug order
 - Uncertain if any manufacturers will use this platform

What are Provider Concerns?

- 340B ESP data would include all scripts, not just Medicaid scripts subject to duplicate discount concerns
 - Unclear if it's legal to provide scripts to this vendor
 - Uncertain how this data might be used by manufacturers
- Kalderos rebate model could significantly delay cash flow to hospitals
 - Would scripts get tied up in lengthy challenges as to eligibility?
- Significant financial impact with loss of 340B pricing
- Significant reporting burden under 340B ESP or related platforms
- Significant impact on patients' ability to access low-cost drugs under 340B hospital uninsured programs

THANK YOU FOR YOUR TIME AND ATTENTION
Questions?

IN YOUR 'CAPITOL HILL VISITS DOCUMENT FOLDER

- State-specific Policy Impact Tables
- National Data Super Table
- State-specific INDEX Pillar Report (blinded)
- Research Paper: Crises Collide
- Crises Collide Infographic
- Safety Net Under Pressure: Trended Heat Maps

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