

CAPITAL FUNDING FOR CRITICAL ACCESS HOSPITALS

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CRITICAL ACCESS HOSPITAL SURVEY

- **Random Sample** **500**
- **Responding Hospitals** **474**
 - 259 Included in Past CAH Surveys (Early Wave)
 - 215 Certified Between 5/01/01 – 12/01/01 (Late Wave)
- **Response Rate** **95%**

FIRE & LIFE SAFETY NEEDS (N=137)

Average Cost = \$1,400.000

• Suppression Systems	\$.18M	35%
• General Physical Plant	\$ 1.42M	16%
• Detection Systems	\$.19M	13%
• Structural Barriers	\$ 1.58M	11%
• Electrical	\$ 1.32M	8%
• Patient Service Areas	\$ 1.17M	8%
• Total Replacement	\$ 13.00M	5%
• Patient Areas	\$.14M	4%

IMMEDIATE CAPITAL NEEDS (N=200)

Average Cost = \$2,380.000

- Remodel/Expand Plant \$ 2.0M 34%
- Remodel/Expand Clinic \$ 1.7M 32%
- Clinic Equipment \$.6M 17%
- Information Technology \$.5M 9%
- Total Replacement \$ 11.8M 8%

CAH EFFORTS TO OBTAIN CAPITAL (N=474)

- **Facilities Pursuing Loans** **42%**
 - **86% Successful Applications**
 - **46% Specified Capital Needs**
 - **14% Unsuccessful Applications**
 - **48% Specified Capital Needs**

- **Facilities Not Pursuing Loans** **58%**
 - **39% Specified Capital Needs**

SUCCESSFUL CAH APPLICANTS (N=193)

	Capital Needs	Capital Loans	Percent Need Met
Early Wave w/Need (N=40)	3.76M	1.74M	46%
Late Wave w/Need (N=39)	2.69M	2.74M	102%
Early Wave no Need (N=60)	0	2.88M	****
Late Wave no Need (N=33)	0	1.93M	****

SUCCESSFUL LOAN PROJECTS (N=228)

- **General Remodel/Modernization** **21%**
- **Clinical Remodel/Expansion** **20%**
- **Medical Equipment** **30%**
- **HIT** **9%**
- **Refinance Debt – L.O.C.** **9%**
- **Diversification of Services** **6%**
- **Total Renovation/Replacement** **5%**

MOST IMPORTANT FACTORS IN LOAN SUCCESS

- **Operating Revenue/Reserves** 27%
- **Solid Preparation/Business Plan** 21%
- **Find the Right Co-Signer** 17%
- **Improved Reputation Since CAH** 10%
- **Board Member Involvement** 8%
- **Demonstrated Need** 6%
- **Government Loan Guarantee** 6%
- **Strong Local Support** 6%

BIGGEST BARRIERS TO CAPITAL LOAN SUCCESS

- **Poor Financial History/Debt Too High 27%**
- **Poor Cash Flow/Reserves 21%**
- **Local Economy/Market Too Volatile 17%**
- **Organizational Indecisions/Resistance 10%**
- **Process of Pursuing Loan (paperwork) 8%**
- **Poor Community Support 6%**

LOAN SOURCES EARLY VS LATE WAVE CAHS

Cohort	Local Source	State Source	Federal Source	Private Source
Total (N=187)	58%	6%	11%	25%
Early Wave (N=97)	62%	7%	12%	19%
Late Wave (N=90)	53%	4%	9%	33%

INITIAL TAKEAWAY POINTS

- **Significant Debt Among CAHs**
- **Investments Focused on Catch-Up w/Little Overall HIT Development**
- **Evidence of Strategic Investments Among Early Wave CAHs**
- **Late Wave CAHs Overall Better Risk Helping to Tap Private Capital Markets**

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