**Thinking About Health**

**By Wendell Potter, Rural Health News Service**

**New tax law may put squeeze on rural hospitals**

One of the selling points for the tax bill President Trump signed into law a few weeks ago is that it will spur job growth because corporations will use money they otherwise would have paid in taxes to hire more workers.

But for rural areas and small towns, one provision of the new law may result in the closure of one of their biggest employers – their hospital.

Rural hospitals in general operate on much thinner margins than most big city hospitals, margins so thin that dozens have been forced to close in recent years. In fact, almost all the U.S. hospitals that have been shuttered in recent years have been in rural areas. A recent study (<https://www.beckershospitalreview.com/finance/state-by-state-breakdown-of-80-rural-hospital-closures-081517.html)> by the North Carolina Rural Health Research Program found that 80 rural hospitals have closed since 2010 and that 673 more are vulnerable to closing. And that was before the tax bill was passed.

The part of the new tax law that puts rural hospitals in further jeopardy is the repeal of the so-called individual mandate, the provision of the Affordable Care Act that required most Americans to have health insurance. Only those who qualified for a hardship exemption could remain uninsured without paying a stiff penalty (https://www.nerdwallet.com/blog/health/how-much-is-the-obamacare-penalty-not-having-health-insurance/).

Polls consistently showed that the mandate was the most unpopular part of the ACA. Republicans often cited it as a reason for their opposition to the health reform law that President Obama signed in 2010.

Obama himself was once a critic of the mandate. But insurance company executives and many health policy experts told him and Congress that without it, premiums would become increasingly unaffordable for people who were in greatest need of coverage – people in their 50s and 60s and anyone with a current or preexisting medical condition. They argued that, unless they were required to enroll, many young and healthy people would stay uninsured, making it necessary for insurers to charge older and less healthy applicants much more for their coverage than if those young and healthy people were in the “pool” of insured customers.

Shortly before Congress passed the tax bill last month, the Congressional Budget Office estimated (<https://www.reuters.com/article/us-usa-tax-healthcare/repeal-of-individual-mandate-would-increase-uninsured-premiums-cbo-idUSKBN1D820Q)> that repealing the mandate would increase the number of uninsured by 13 million over the next 10 years and cause premiums in the individual market to rise an additional 10 percent.

The American Hospital Association, along with groups representing doctors and health insurers, lobbied hard against repealing the mandate (https://aha.org/news/headline/2017-11-14-aha-others-urge-congress-not-include-individual-mandate-repeal-tax-bills), but their concerns went unheeded.

The repeal will have no effect this year because the mandate was still in effect during last fall’s open enrollment period for individual and family coverage purchased for 2018 on the state insurance exchanges, which were created by the ACA. But no one will be penalized for remaining uninsured in 2019, and that has many rural hospital administrators – especially those in the 19 states that did not expand their Medicaid programs under the ACA – very worried.

Hospitals in those states are especially vulnerable because more of the patients they treat are those who have remained uninsured – and in many cases unable to pay for their care – than at hospitals in states that did expand Medicaid.

In states that did not expand, mostly in the South and Midwest, more hospitals have closed in recent years than in states that did (https://www.beckershospitalreview.com/finance/state-by-state-breakdown-of-80-rural-hospital-closures-081517.html). Revenue for hospitals there and elsewhere is expected to decline even further beginning this year, especially in rural areas with higher percentages of older residents than other communities, as the tax bill’s cuts to Medicare (<https://www.aarp.org/politics-society/advocacy/info-2017/senate-tax-medicare-cuts-fd.html>) are implemented.

The repeal of the individual mandate penalties, though, may turn out to be the final nail in the coffin of many vulnerable rural hospitals as even more local residents return to the ranks of the uninsured. Many rural hospitals already provide more uncompensated care (<https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.2014.1340)> than their urban counterparts. For one thing, much of the emergency care provided by rural hospitals is classified as uncompensated because uninsured residents, unable to get care in doctors’ offices, often resort to the emergency department (<https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.2014.1340>) where they cannot be turned away.

It is called uncompensated care because many uninsured patients cannot pay their bills, and no small number of them are forced into bankruptcy. Hospitals try to make up for care their patients can’t pay for by charging insured patients more, but small rural hospitals are less able to do that than large urban hospitals that can demand higher compensation from insurance companies. That’s because small hospitals treat fewer of an insurer’s customers than big hospitals do.

The last thing rural hospitals need are more patients who can’t pay their bills, but that is likely what they will get when the individual mandate penalties go away. Many rural hospitals will not survive.

When a rural hospital closes, local residents not only have to travel farther for care, including potentially life-saving emergency care, but the area also loses many good-paying jobs, and in many cases, its largest employer. In the rural communities that lose their hospitals in the years to come, the tax bill may turn out to be more of a job killer than a job creator.

*Are you concerned about how Congressional action may affect the future of healthcare in rural America? Send me your questions, concerns and personal stories at Wendell@Tarbell.com.*

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