

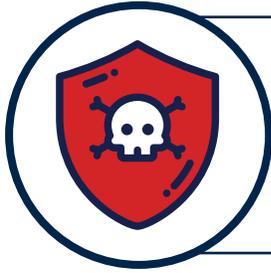
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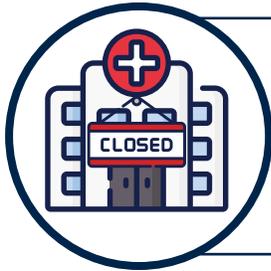
# Medicaid Expansion Is Closing Hospitals

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# KEY FINDINGS



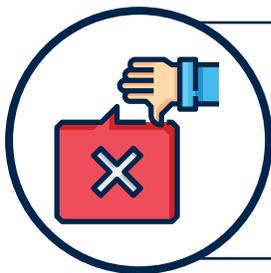
MEDICAID EXPANSION HAS  
FAILED TO SAVE HOSPITALS.



HOSPITALS ARE CONTINUING TO  
CLOSE IN EXPANSION STATES.



HOSPITAL CLOSURES IN NON-EXPANSION  
STATES ARE UNRELATED TO THEIR  
RELUCTANCE TO EXPAND MEDICAID.



FUTURE POTENTIAL RURAL HOSPITAL  
CLOSURES SHOW EXPANSION IS NOT WORKING.

## THE BOTTOM LINE:

NON-EXPANSION STATES MUST REJECT THE  
MISINFORMATION ABOUT HOSPITALS AND MEDICAID  
EXPANSION ONCE AND FOR ALL.

## Overview

Medicaid expansion was supposed to be a silver bullet for hospitals. It was supposed to be necessary for hospitals' financial health, bolster the health care safety net, and create thousands of new jobs.<sup>1-6</sup>

But nearly 10 years later, it has become increasingly clear that these are just empty promises and nothing more than a bait-and-switch. **Instead of keeping hospitals open, hospitals in expansion states have closed their doors.<sup>7</sup> Instead of creating hospital jobs, thousands of hospital jobs have been cut in expansion states.<sup>8</sup> And instead of saving money, hospital losses are piling up following expansion.<sup>9</sup>**

The false promises of Medicaid expansion—especially with respect to hospitals—have misled policymakers into enacting massive expansions of welfare. Now, hospitals increasingly find themselves victims of their own advocacy.

## Medicaid Expansion Has Failed to Save Hospitals

The failings of Medicaid expansion on hospital finances cannot be understated. Despite assurances from expansion advocates, roughly two out of every five expansion states saw hospital job losses after expanding Medicaid.<sup>10</sup> **From Arkansas to West Virginia, thousands of promised hospital jobs turned into substantial job losses.<sup>11</sup>**

This is in no small part due to the massive explosion in Medicaid shortfalls that occurred following expansion. While expansion proponents are fixated on one side of the ledger—uncompensated care costs—they often ignore the effect of shifting untold numbers of able-bodied adults from private insurance (whether through their employer or the individual market) onto Medicaid, which has lower provider reimbursement rates.<sup>12</sup> Since Medicaid pays roughly 60 percent of what private insurance reimburses, expansion states ultimately lose money on every patient they crowd out of their existing private coverage and shift onto Medicaid.<sup>13-14</sup>

Between 2013 and 2016, Medicaid shortfalls at hospitals in expansion states grew by nearly \$5 billion—or roughly 50 percent—far outpacing revenue growth.<sup>15</sup> **As a result, while profit margins grew in non-expansion states, they plummeted by an average of 10 percent in expansion states over the same period.<sup>16</sup>**



**BETWEEN 2013 AND 2016, MEDICAID SHORTFALLS AT HOSPITALS IN EXPANSION STATES GREW BY NEARLY \$5 BILLION—OR ROUGHLY 50 PERCENT—FAR OUTPACING REVENUE GROWTH.**

Unfortunately, this led hospitals in expansion states to be less prepared for the COVID-19 pandemic. Leading up to the pandemic, expansion states had fewer hospital beds and intensive care unit beds per capita than their non-expansion neighbors.<sup>17</sup>

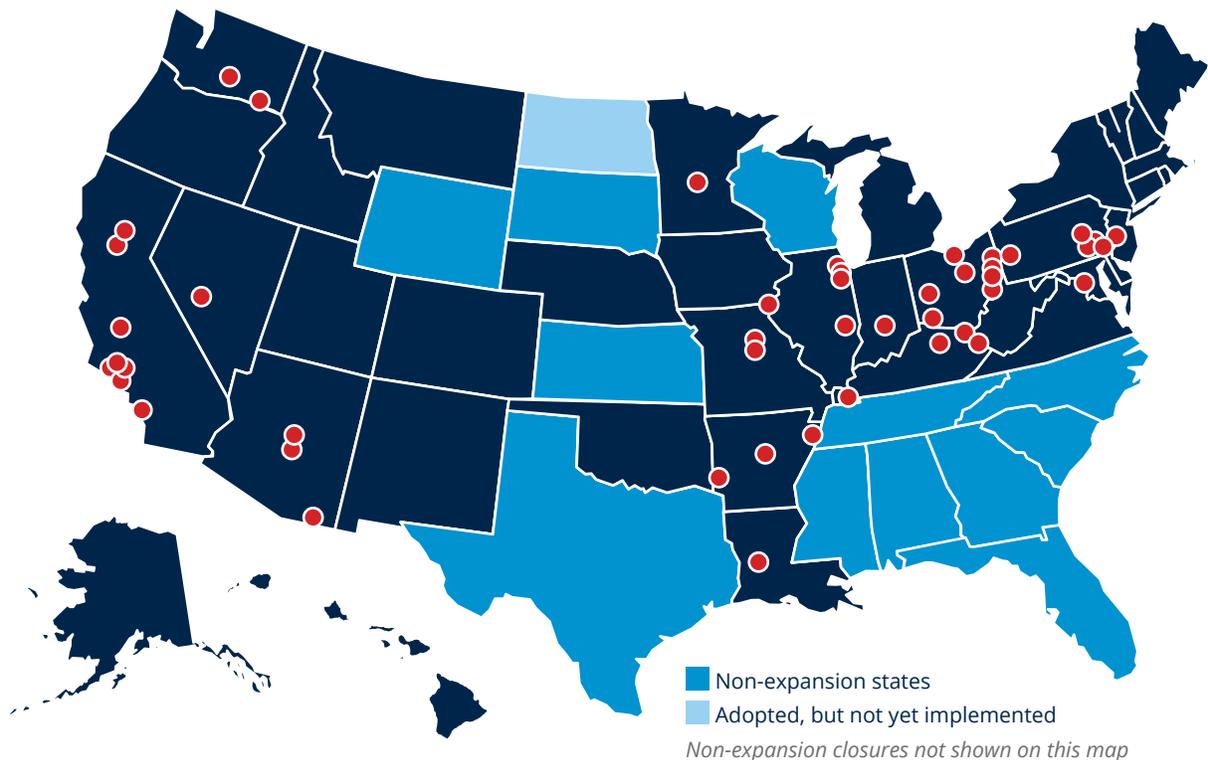
These financial losses and hospital bed shortages ultimately relate to the same fundamental problem: hospital closures in states that have expanded Medicaid.

## Hospitals Are Continuing to Close in Expansion States

New information on hospital closures between 2014 and 2022 reveals an unfortunate but harsh reality: Expansion has failed to save hospitals from closure.<sup>18</sup> **From Arizona to Arkansas, and from Washington to West Virginia, nearly 50 hospitals—including more than a dozen rural hospitals—shut their doors after Medicaid expansion was implemented, despite the assurances of advocates.**<sup>19</sup>

### NEARLY 50 HOSPITALS HAVE CLOSED IN EXPANSION STATES SINCE 2014

*Closures Represent a Loss of Nearly 5,400 Hospital Beds, Including Nearly 500 Rural Beds*



*Sources: Sheps Center, Becker's Hospital Review, Author's Review of Online Sources*

Several of these hospital closures are a direct result of Medicaid expansion.

### SPOTLIGHT #1: FAILING PHILLY HOSPITAL SUFFERS FROM HIGH VOLUME OF MEDICAID PATIENTS

Six years after expansion was implemented in Pennsylvania, Hahnemann Hospital shut its doors permanently.<sup>20</sup> The hospital heavily relied on Medicaid, “which pays below cost for care of thousands of low-income Philadelphia residents.”<sup>21</sup> Unfortunately, the hospital was unable to break even due to the low Medicaid payments.<sup>22</sup> However, an article in a publication from the *Journal of the Association of American Medical Colleges* noted that this was not always the case, observing that there was once a profitable mix of government and private payers that eventually became dominated by Medicaid.<sup>23</sup> Rather than a silver bullet, Medicaid expansion contributed to Hahnemann Hospital’s downfall.

## SPOTLIGHT #2: RUST BELT HOSPITALS CLOSE AFTER EXPANSION

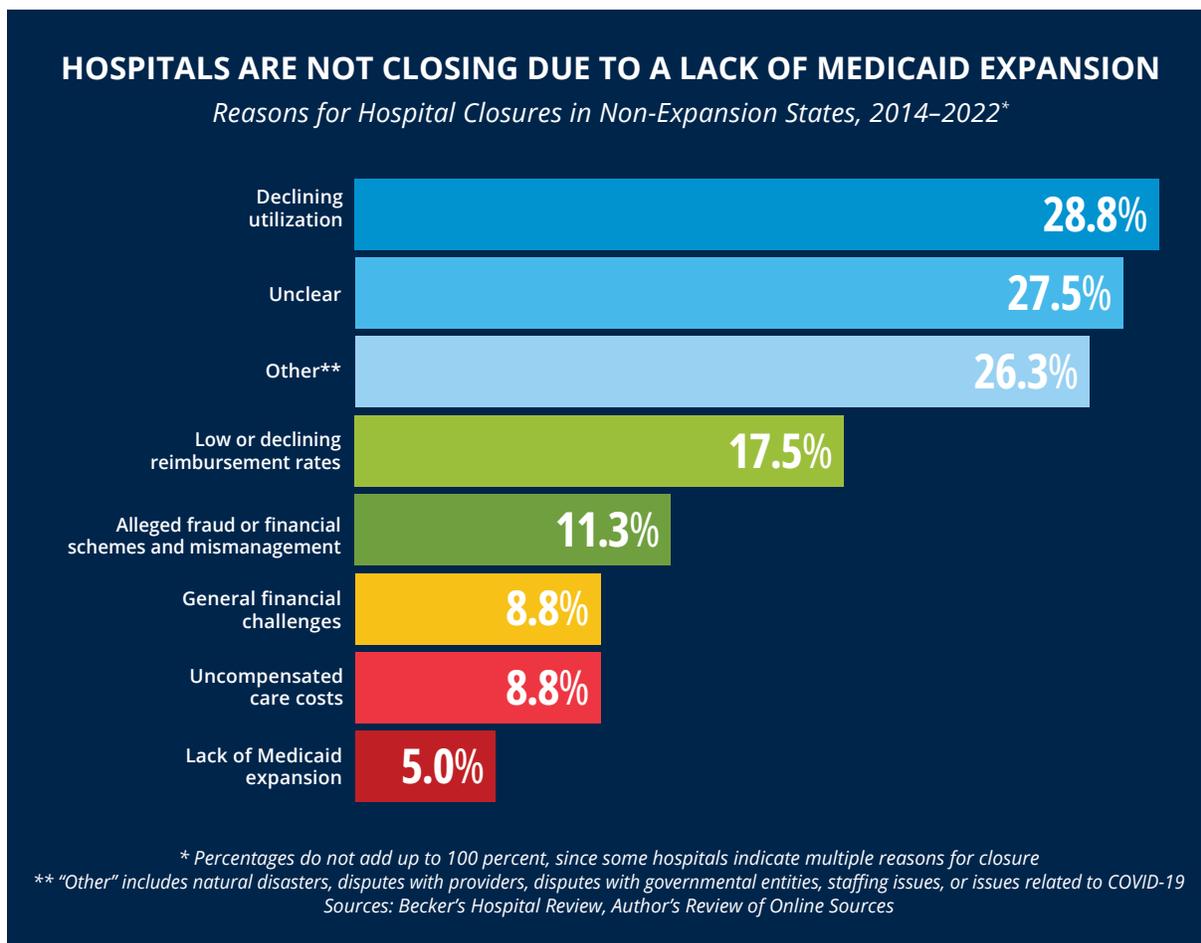
In 2019, Ohio Valley Medical Center in Wheeling, West Virginia and East Ohio Regional Hospital in Martins Ferry, Ohio closed, laying off nearly 1,200 hospital workers.<sup>24</sup> The hospitals partially attributed their closures to \$37 million in losses from factors including declining reimbursement—an unsurprising reality as private payers were undoubtedly shifted onto the lower-reimbursing Medicaid program following expansion.<sup>25</sup> The Medicaid payer shift caused by expansion only exacerbated the reimbursement challenges that preceded the hospitals' downfall.

Hospital closures are also occurring in states that were not part of the initial group of 2014 expansion states. For example, both Audrain Community Hospital and Callaway Community Hospital—two rural hospitals in Missouri—closed in September 2022, a little over a year after the state expanded Medicaid following advocacy from the Missouri Hospital Association.<sup>26-27</sup>

In addition to hospital closures in expansion states, the reasons for closures in non-expansion states also place the promises of expansion advocates in a negative light.

## Hospital Closures in Non-Expansion States Are Unrelated to Their Reluctance to Expand Medicaid

Critically, in roughly 95 percent of hospital closures in non-expansion states between 2014 and 2022, Medicaid expansion was not cited as a reason for closure.<sup>28</sup>



**Only five percent of hospitals directly cited a lack of Medicaid expansion in their list of reasons for closure.**<sup>29</sup> Equally important is that less than nine percent even mentioned uncompensated care costs as a reason for closure, despite this being a frequent talking point for the advocates of expansion as a plague that non-expansion hospitals are facing.<sup>30</sup>



**OF THE MERE FOUR HOSPITALS THAT CITED LACK OF MEDICAID EXPANSION AS A REASON FOR CLOSURE, HALF OF THESE HOSPITALS WERE INVOLVED IN ALLEGED FRAUD SCHEMES OR SEVERE FINANCIAL MISMANAGEMENT.**

And of the mere four hospitals that cited lack of Medicaid expansion as a reason for closure, half of these hospitals were involved in alleged fraud schemes or severe financial mismanagement. Oswego Community Hospital in Kansas blamed a lack of expansion for its woes, but just one year later its managers were charged in a \$1.4 billion fraud scheme.<sup>31-32</sup> Decatur County General Hospital also cited a lack of expansion as a reason for closure—but soon afterwards, the Tennessee Comptroller's Office released an investigation detailing alleged “questionable activities” relating to billing and day-to-day operations, including significant unjustified expenses.<sup>33-34</sup>

Other hospitals acknowledge that expansion would not have helped their financial woes. For example, the CEO of the now-closed Sac-Osage Hospital in rural Missouri (prior to Missouri's expansion of Medicaid) noted that “the loss would have been unavoidable, even with expansion in Missouri,” noting the decline in patient volume that expansion would not have remedied.<sup>35</sup>

Natural disasters like Hurricane Harvey forced the closure of East Houston Regional Medical Center (Houston, Texas) and Care Regional Medical Center (Arkansas Pass, Texas).<sup>36-37</sup> Pioneer Community Hospital (Newton, Mississippi) shut down after the Centers for Medicare & Medicaid Services (CMS) reinterpreted the distance requirements for critical access hospitals.<sup>38</sup> Eight hospitals—six of which were in non-expansion states—closed in the late 2010s as part of the massive EmpowerHMS private equity fraud scheme.<sup>39-40</sup> These include non-expansion hospitals in Florida, Kansas, Missouri (prior to expansion), and Oklahoma (prior to expansion).<sup>41</sup> And finally, several non-expansion hospitals—such as Quitman County Hospital (Marks, Mississippi) and Timberlands Hospital (Crockett, Texas) ultimately reopened years after their initial closure.<sup>42-43</sup>

These are just a handful of examples of the non-expansion-related hospital closures in non-expansion states that occurred between 2014 and 2022. However, future potential hospital closures paint an even more negative picture for expansion's reputation as a savior for hospitals.

## **Future Potential Rural Hospital Closures Show Expansion Is Not Working**

A new independent report from the Center for Healthcare Quality and Payment Reform outlines rural hospitals at risk of closure in the United States. Critically, one in four rural hospitals in expansion states are at risk of closure—a frighteningly high figure given the assurances that expansion would protect rural hospitals.<sup>44</sup> These include hospitals in all but seven expansion states.<sup>45</sup>



**ONE IN FOUR RURAL HOSPITALS IN EXPANSION STATES ARE AT RISK OF CLOSURE—A FRIGHTENINGLY HIGH FIGURE GIVEN THE ASSURANCES THAT EXPANSION WOULD PROTECT RURAL HOSPITALS.**

In fact, **the report notes that expanding Medicaid is not the solution to protect hospitals at risk of closure.**<sup>46</sup> Despite the claim that expansion would reduce uncompensated care costs, the report states that “uninsured patients are not the primary cause of losses at most rural hospitals; most losses are caused by low payments for patients who have insurance.”<sup>47</sup>

This report mirrors the results of similar independent reports. For example, a 2019 Navigant study found that the top five states with the most community-essential rural hospitals at risk for closures are all expansion states.<sup>48</sup> The report did not include Medicaid expansion as a solution to rural hospital closures, and instead highlighted the importance of regulatory reforms and innovations in health care collaboration.<sup>49</sup>

If these rural hospitals are pushed over the brink, it will be a further nail in the coffin of the empty claims by advocates that expansion is essential to prevent hospital closures.



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## **BOTTOM LINE: Non-Expansion States Must Reject the Misinformation About Hospitals and Medicaid Expansion Once and For All**

The myths spread by proponents of expansion are becoming increasingly transparent. Despite all the false promises, hospitals are continuing to close in expansion states at an alarming rate—all while closures in non-expansion states are almost entirely unrelated to their reluctance to expand Medicaid. Meanwhile, potential future rural hospital closures threaten to hit hard in states that expanded Medicaid years ago.

Lawmakers should finally reject the inaccurate claims of expansion advocates and dismiss the falsehoods related to expansions and hospitals. It is long past time to finally realize expansion does not help hospitals—it harms them. And in many cases, expansion actually contributes to their closure.

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