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Financial Strategies and Initiatives for Preventing Rural Hospital Closure

Chinue Uecker, DBA

Problem

Rural hospital leaders balance maintaining hospital financial health and stability while ensuring access to healthcare services within their communities (Countouris, Gilmore, & Yonas, 2014; Spade & Strickland, 2015).

The **general business problem** was that rural hospital leaders must maintain a positive financial performance to be a viable entity. The **specific business problem** was that some rural hospital leaders often lack strategies to improve financial performance.

Purpose

The purpose of this **qualitative multiple case study** was to explore strategies that rural hospital leaders implement to improve their hospital's financial performance.

Significance

From 2010 to 2018, **90 rural hospitals have closed**, with nearly 33% of those closures in Georgia, Tennessee, and Texas.



When a rural hospital closes, it impacts the entire community, from **access to healthcare, employment, and health outcomes**.

The topic of improving financial performance might provide strategic ideas to leaders interested in ensuring their hospital remains open.

Social Change Implications

The closure of a rural hospital may adversely impact its community. This research contributes to social change through the **development of strategies** to improve rural hospital performance benefiting the rural communities the rural hospitals serve.

Theory or Framework

Strategic decision-making (Eisenhardt & Zbaracki, 1992) occurs when top leaders of an organization make decisions that impact the organization's health and survival. Three key concepts for exploring strategic decision-making and financial performance of rural hospitals are (a) **bounded rationality**, (b) **politics**, and (c) **power**.

A contrasting conceptual framework was the **garbage can theory** (Cohen, March, & Olsen, 1972). The garbage can theory occurs in a multifaceted, chaotic environment with the organizations referred to as organized anarchies. Two key concepts for exploring garbage can theory are (a) **organizations as anarchies** and (b) **decisions as a random confluence of streams**.

Relevant Scholarship

The literature review included:

- Detailed information on the U.S. healthcare system, financial performance, market attributes, strategic planning, access to care, and operational characteristics: **rural hospitals account for 38% of community hospitals in the United States** (American Hospital Association, 2018).
- A summary of the U.S. healthcare system with a focus on urban hospitals, rural hospitals, and the impact rural hospitals have within the community: **the financial strength of a healthcare institution is vital to survival** (Gilman et al., 2015).
- The financial performance of rural hospitals, causes for rural hospital closure, and current strategies deployed to improve financial performance in rural hospitals: **rural hospitals provide care while battling geography, economies of scale, and reduced revenue** (Lagrou et al., 2018).

Research Question

What strategies do rural hospital leaders implement to improve their hospital's financial performance?

Participants

The targeted population consisted of rural hospital leaders from **Arizona, Georgia, Illinois, Oklahoma, Pennsylvania, and the United States Virgin Islands** who have improved their hospital's financial performance.

Characteristics	Descriptive information
Number of study sites	6
Geographic locations	Arizona, Georgia, Illinois, Oklahoma, Pennsylvania, USVI
No. of study participants	15
Key Informants titles	CEO, COO, CFO, CNO, Director of Finance
Documentation reviewed	Strategic Plans, Community Health Needs Assessments

Procedures

Exploration of the interview questions supported the rich exploration of rural hospital leaders' descriptions of the business problem pertaining to financial performance.

All 15 study participants answered the nine interview questions. I reviewed supportive hospital documentation. The secondary data collection occurred through audio recordings of the **60 minute interviews**.

Analysis

After each interview, the study participant reviewed, provided corrections, and approved their interview transcripts.

The transcription of audio recordings and analysis of the hospital documentation revealed themes and augmented my understanding of successful financial strategies.

Findings

The themes are:

1. The need for rural hospital leaders to use strategic decision-making when addressing rural hospital financial performance.
2. Developing synergies with external providers and hospitals.
3. Creating effective short-term and long-term strategies.
4. Translating success to the entire organization.

Interpretation

Based on research findings, **rural hospitals occupy a pivotal role in ensuring access and quality services to patients**.

Because few studies have researched the financial performance of rural hospitals from a leadership perspective, the results of this study might provide valuable information to hospitals in rural communities.

Limitations

Limitations of this study included negative/change in financials for rural hospitals and participants refraining from sharing information.

Recommendations

Rural hospital leaders should **promote proactive approaches to prevent rural hospital closure by monitoring the organizational health on a routine basis**.

Rural hospital leaders should work to **concentrate efforts to improve the hospital's financial performance by focusing on short-term and long-term strategies**.

Conducting further research that goes beyond the target population of this study might lead to additional insight regarding strategies necessary for **reducing the business problem affecting rural hospitals, rural communities, and patients**.

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