STATE OF
RURAL HEALTHCARE

Research and outlook for 2024

WIPFLI

COVID-19 funding was a lifeline for many rural healthcare organizations. Supplemental dollars helped rural providers meet increased demand despite steep inflation and higher expenses. And now, it's gone.

Wipfli surveyed more than 100 rural healthcare organizations to learn how they're navigating the "new normal." Our second annual state of rural healthcare report reveals their top financial concerns and their planned strategic responses.

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Executive summary

Healthcare is a hopeful business.

Healthcare is a hopeful business. Patients and providers rally toward the best possible outcomes, sometimes defying the odds. Providers balance caution and optimism — steeling themselves for the worst while hoping for the best.

That's exactly where rural healthcare organizations stand today. When we surveyed 106 rural healthcare organizations to learn about the state of the industry, we found an abundance of optimism.

About 91% of rural healthcare organizations were either "cautiously" or "completely" optimistic about their financial viability. About 40% of organizations said their financial stability is "much higher" or "somewhat higher" today than it was a year ago. And another 30% said their financial stability was unchanged over the past year.

Optimists might read "no change" as good news, given the difficult economics most organizations had to overcome. Inflation and expenses have been high, COVID-19 funding dried up and reimbursement rates have largely remained flat. Rural healthcare providers learned how to manage unpredictability during the pandemic.

Most of the organizations we surveyed operate independently (75%) and intend to stay that way. Seventy-five percent of organizations said they're "not at all likely" to merge or consolidate with another healthcare organization. (A year ago, only 65% of organizations were as confident in their ability to stay independent.) Rural healthcare organizations feel confident that the worst is over. Comparatively, they are less stressed financially than larger hospital systems, where layoffs and consolidation have trended upward.

There are no clear-cut plans for rural healthcare organizations to eliminate or reduce services. On the contrary, about 70% of respondents told us they're likely to expand service lines to increase revenue. Twenty-seven percent are planning to invest in new clinics, and 42% plan to expand via other new

106 rural healthcare organizations

surveyed across 26 states

facilities in the next two to five years. Twenty-five percent plan to invest in new clinics next year. To finance their expansions, rural hospitals are leveraging U.S. Department of Agriculture financing and local property tax support, as well as taking on new debt.

To maintain financial stability, rural healthcare organizations plan to assess their revenue cycles, create new revenue-capturing initiatives and increase market share in their primary territories.

Almost 55% of rural healthcare organizations plan to reduce their reliance on temporary staff as a cost-saving measure. Rural healthcare providers also said they're open to outsourcing nonclinical functions like laundry, billing, accounting functions and food service.

Notably, many rural healthcare leaders are relatively "green." About half of administrators have been in their roles for only one to five years. They've spent their entire leadership post in a COVID-driven crisis mode — and may only be starting to write their own long-term plans.

How will this new crop of rural healthcare leaders perform? How do they plan to address disparities between healthcare costs and reimbursements, and between growing patient needs and a dwindling number of providers? How will they make healthcare accessible to more rural patients and keep their hospitals financially well?

This report reveals rural healthcare leaders' top concerns and priorities as they head into 2024, as well as their strategies.

What keeps rural healthcare leaders awake at night?

In this year's survey, some concerns were perennial, like labor and reimbursements. "Simmering" issues, like cybersecurity and digital transformation, moved to the fore — no longer able to be ignored.

Entering 2024, rural healthcare leaders are most concerned about people management, revenue capture and digital capabilities.

Top challenges for rural healthcare organizations

1 The cost of labor, benefits and other people-related expenses
Revenue and People

2 Labor shortages and employee turnover
People

3 Medicare/Medicaid reimbursements
Revenue

4 Cybersecurity (No. 5 concern in 2023)
Digital

5 Managing payor contacts (No. 4 concern in 2023)
Revenue

6 Leadership capacity and burnout
People

7 Ability to pay for necessary technology investments
Digital

8 New facilities and technology integration
Revenue and Digital

2024 strategic priorities for rural healthcare organizations

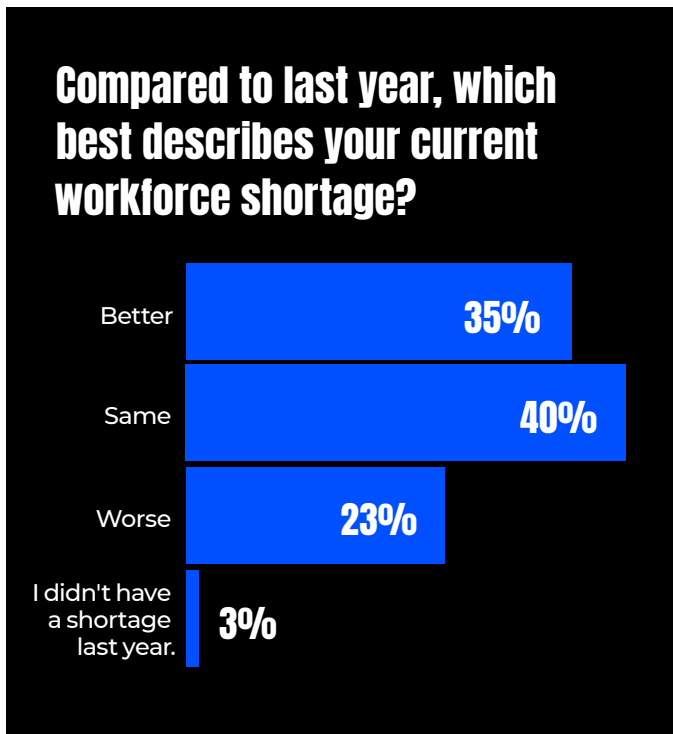**1** People management

2 Revenue capture

3 Digital capabilities

Priority 1

People management

Rural healthcare organizations have struggled to attract and retain qualified workers during a nationwide labor shortage. In our inaugural report last year, 90% of respondents had experienced a worker shortage.

This time, more than a third of respondents said their workforce situation improved. About 40% said it's the same — but now, leaders have more tools to manage the shortage.

New this year, organizations reported using culture and increased benefits to address the labor shortage. Organizations said they've reduced working hours, increased paid education and stipend programs, and added other perks to keep workers happy. They're putting more emphasis on retention strategies rather than recruitment.

Like last year, rural healthcare organizations said they're recruiting more proactively and working with local colleges to attract recent graduates. Some hosted training programs to build relationships with clinical staff, while others recruited internationally.

Compared to last year, which best describes your current workforce shortage?

Better	35%
Same	40%
Worse	23%
I didn't have a shortage last year.	3%

About 92% of respondents said their organizations increased wages to help fill the talent gap, which is a significant increase over the prior year. In our 2023 survey, "increased wages" was the top strategy to address the worker shortage — but it was only employed by 78% of organizations. Now that everyone is paying more for talent, rural healthcare organizations need to find different strategies to attract and retain workers.

Rural healthcare organizations' response to the labor shortage

2023	2024
Increased wages	Increased wages
Proactive recruitment	Culture (new)
Technology	Proactive recruitment
Using travel/ temporary nonclinical staff	Using travel/ temporary nonclinical staff
Developing medical education	Increased benefits and perks (new)

In addition to clinical staff, respondents are looking for billing talent. They said they also need healthcare leaders who are willing — or have the courage — to make tough decisions and do things differently.

Most rural healthcare organizations are led by relatively new administrators. About half of rural healthcare administrators have been in their positions for five or fewer years. Fresh leaders can set a new tone from a culture perspective. However, they may need additional support to fill in gaps in experience.
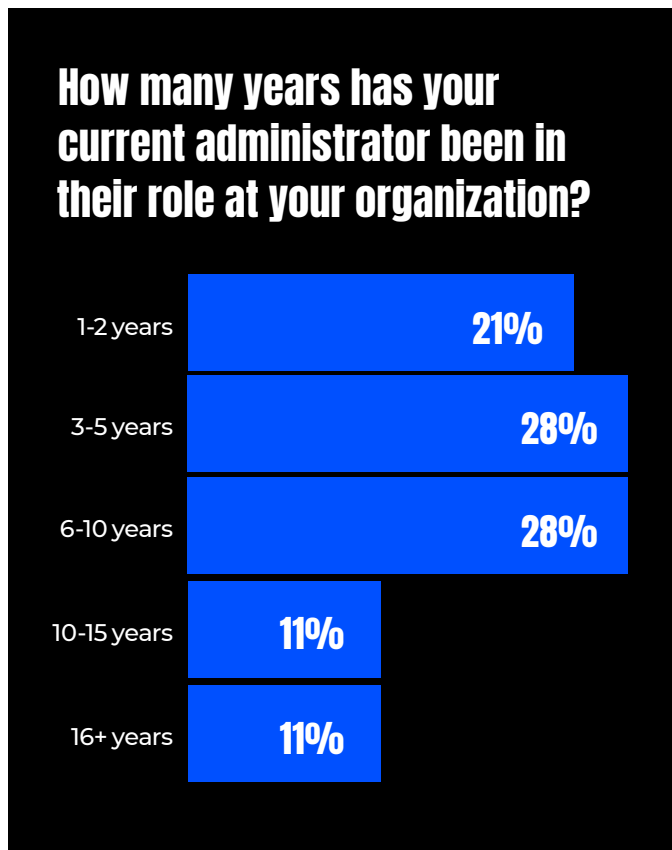
About 52% of rural healthcare organizations said leadership training could help them address staffing issues. When asked about education and training needs for their organizations overall, "leadership skill development" was the second-most pressing need. Organizational development and succession planning also made the top five.

How many years has your current administrator been in their role at your organization?

1-2 years	21%
3-5 years	28%
6-10 years	28%
10-15 years	11%
16+ years	11%

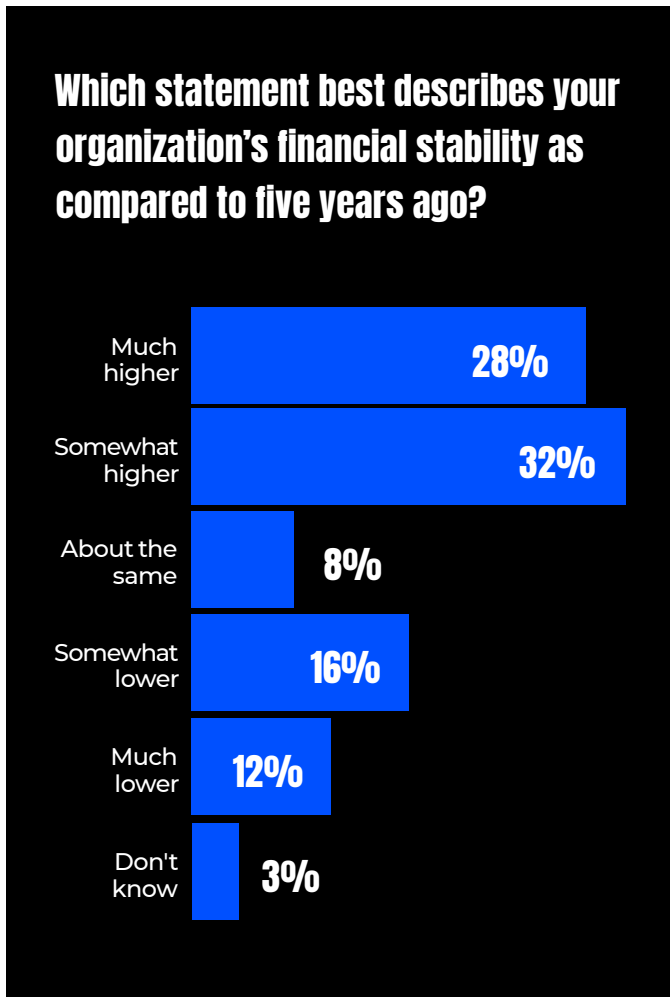## What are your employees' most pressing education and training needs?

1. Optimizing reimbursements/revenue cycle
2. Leadership skill development
3. Legislative, regulatory and policy changes
4. Cost reporting rules/methods
5. Organizational development
6. Succession planning
7. Data analytics and AI
8. Managing technology, data risk and cybersecurity

Priority 2

Revenue capture

Respondents were optimistic about their financial stability. Most organizations (60%) think they're in better financial shape today than they were five years ago — which was during pre-COVID times. In comparison, less than half of respondents felt the same way last year. Today's rural healthcare leaders have more experience managing through uncertainty, and they have strategies to effectively control costs, if needed.

Which statement best describes your organization's financial stability as compared to five years ago?

Response	Percentage
Much higher	28%
Somewhat higher	32%
About the same	8%
Somewhat lower	16%
Much lower	12%
Don't know	3%

Optimistic doesn't mean complacent, however. Financial stability is directly tied to revenue, which was a leading concern among respondents. Heading into 2024, leaders are trying to manage their bottom lines by increasing revenues rather than slashing expenses.

To increase revenues, most rural healthcare organizations (72%) are assessing their revenue cycles. They're reevaluating payors and terms to make sure negotiated rates cover costs. And revenue teams are auditing internal processes to reduce claim denials.

Rural healthcare organizations are also looking for ways to earn quality incentive dollars and restructure lower-margin services and locations. As interest rates change, some organizations are investing differently to pursue higher yields.

And, 70% of respondents are expanding existing service lines to increase revenue. Some are exploring swing bed strategies, and others are revisiting their facility blueprints to increase space for patient care. Respondents also mentioned centralizing some functions, like triage, and adding technology to make healthcare delivery and back-office operations more efficient.

What strategy/action is your organization undertaking to increase revenue?

72% Assessing revenue cycle

70% Expanding existing service lines

65% Working on revenue capture initiatives

64% Launching initiatives to capture greater market share in our primary market

54% Reducing usage of temprary staff

50% Reviewing/negotiating payor contracts/payor mix

32% Lobbying for additional Medicaid/ state funds

26% Pausing capital investment projects

24% Restricting non-care-related spending

19% Launching a donor campaign

16% Evaluating uncompensated care

13% Reducing permanent FTEs

Neary two-thirds of respondents are launching initiatives to increase their market share within their primary markets. They're using claims data to inform strategic planning, goals and resource allocation within specific geographic areas.

Training is seen as another vital way to increase — or hold onto — revenue. Federal payors and health maintenance organizations often change their requirements, and healthcare organizations have to update templates and processes and reeducate staff on the changes to get paid properly.

For some organizations, staying on top of managed Medicare programs is so time consuming that it's a distraction from other initiatives that affect patient care. Rural healthcare providers need deeper expertise in billing and claims functions, and they need processes and technology to help them manage claims denials in a cost-effective way.

About half of rural healthcare organizations said they plan to review and renegotiate their payor contracts, or they're taking active steps to reshuffle their payor mix. Some smaller independent hospitals feel like they're at a disadvantage when they negotiate with commercial insurers. Without leverage, they're forced to accept insufficient payments.
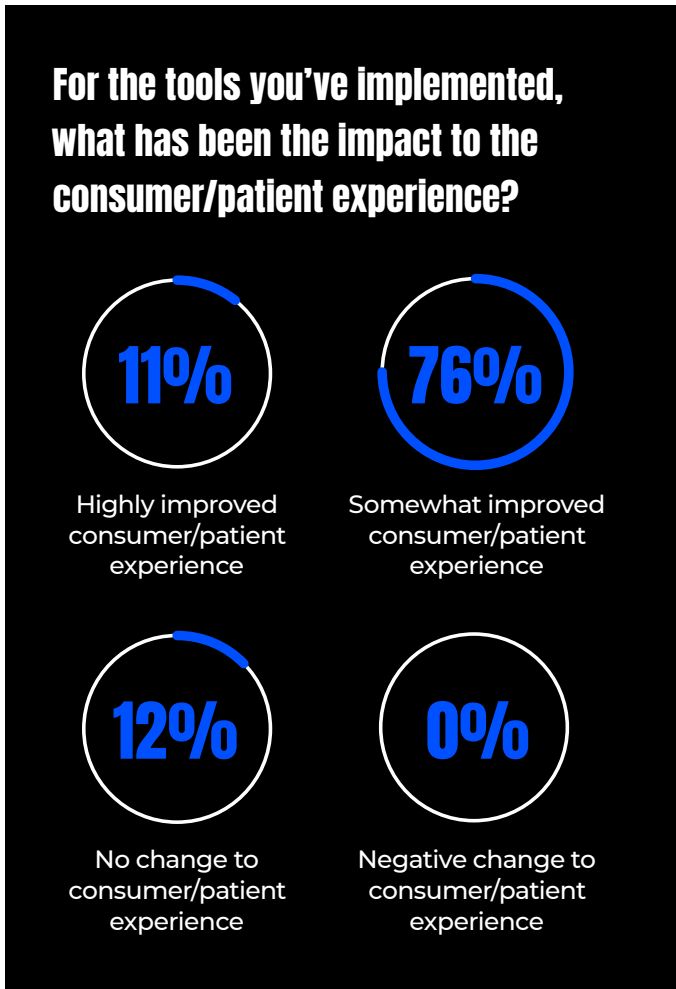
Priority 3

Digital capabilities

Every rural healthcare organization that responded to our survey has pursued some level of digital transformation.

About 7% of organizations are in the earliest stages of exploration, and 18% said they've fully embraced digital transformation across the organization. The bulk of organizations live in a state of "partial integration," meaning they've focused their investments on specific technologies or operational areas.

Nearly 90% of organizations said digital tools have made a positive impact on their patients' experience.

For the tools you've implemented, what has been the impact to the consumer/patient experience?

11%
Highly improved consumer/patient experience

76%
Somewhat improved consumer/patient experience

12%
No change to consumer/patient experience

0%
Negative change to consumer/patient experience

Artificial intelligence (AI) was the most common investment area this year. About 52% of survey respondents said they plan to purchase or expand their AI capabilities within the next 12 months — up from 31% of organizations last year. Some of the earliest use cases could include chatbots to help patients navigate hospital websites, patient portals and billing sites. Rural hospitals could also leverage AI for automated messaging to expand outreach without adding staff.

Half of rural healthcare organizations plan to purchase or expand their IT infrastructure or cloud computing capabilities. Business intelligence tools and financial reporting systems were also popular investment choices.
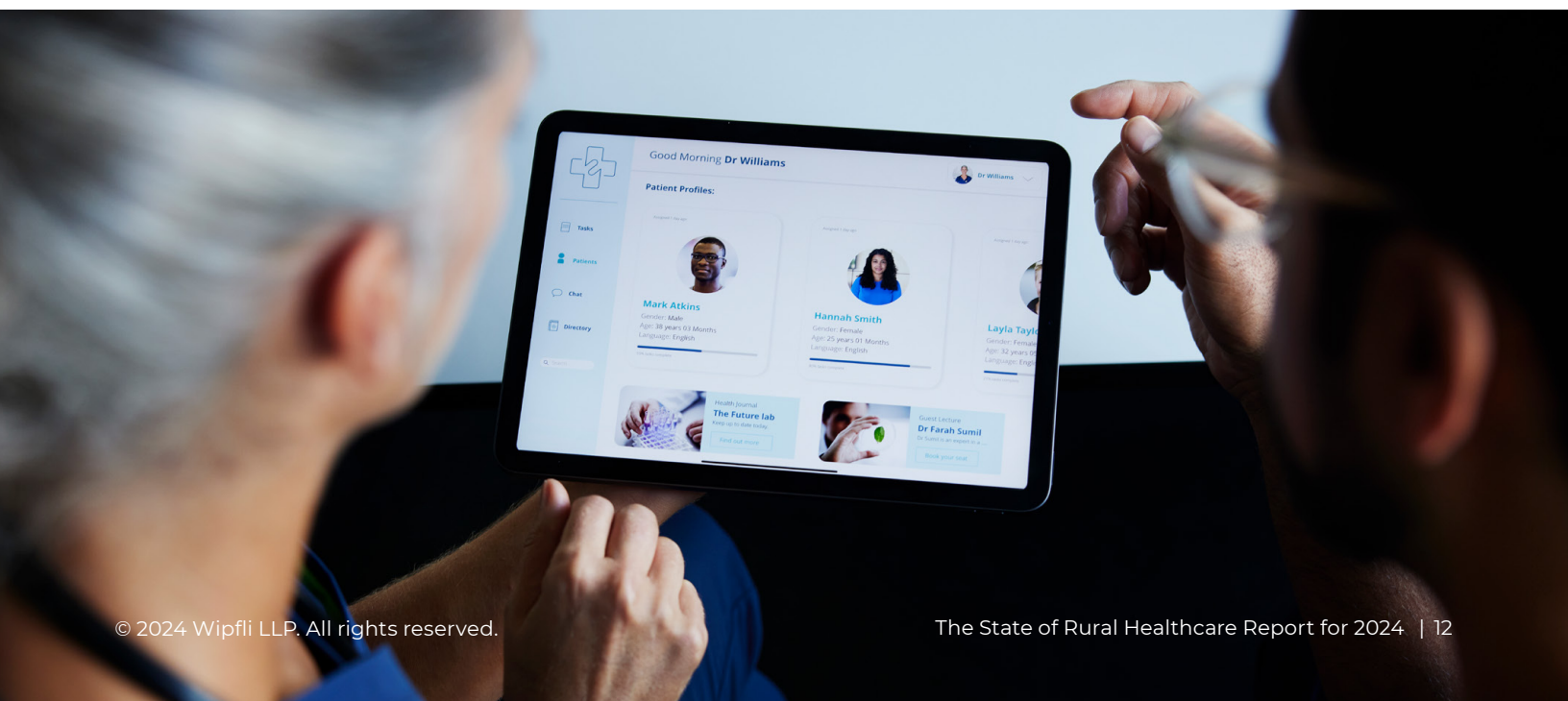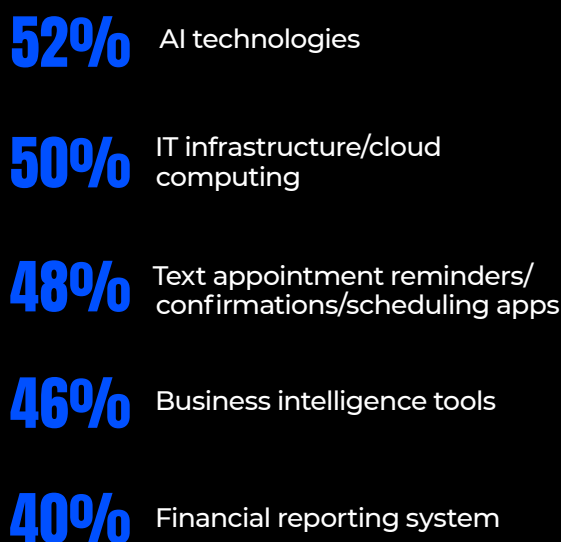
Digital transformation has many benefits for rural healthcare providers — but it's not without risk. In the past year, almost 20% of organizations identified an unauthorized attempt to access their networks or data. About 4% of organizations were targeted more than 10 times.

Most organizations (81%) implemented safeguards to protect their networks and data, including enhanced access controls, regular maintenance and 24/7 monitoring. Nearly 75% conducted a cyber risk assessment of their IT environment, and 70% increased their investment in cybersecurity technologies, such as network and device upgrades.

As a proactive measure, 62% of rural healthcare organizations conducted penetration testing to validate their defenses. And 60% updated systems and processes to help them identify and respond to cybersecurity events more quickly. Half of respondents developed or revised a cyber risk management policy to address prevention, detection, response and recovery.

In the next year, what technology systems do you plan to expand or purchase?

52% AI technologies

50% IT infrastructure/cloud computing

48% Text appointment reminders/ confirmations/scheduling apps

46% Business intelligence tools

40% Financial reporting system

Thoughts on the future

Rural healthcare organizations feel stable — which is an enormous feat given the pace of change and the amount of uncertainty they've been operating under. Rural Americans need their healthcare homes to be places of comfort and stability — and rural hospitals are delivering.

To maintain their stability and serve even more patients, rural healthcare organizations need to:

- Retain qualified staff that they've brought into the workforce.
- Hold onto more of their hard-earned dollars through better billing and claims practices and by streamlining necessary processes.
- Renegotiate with payors to claim a fairer share of reimbursements.
- Leverage technology to achieve all these means — and to protect vital data and systems.

Technology can help rural healthcare organizations calculate the cost of services more accurately and completely, which is data they can take to the negotiating table. Data can give rural healthcare leaders the support they need to demand rightful reimbursements.

Most rural healthcare organizations (88%) added online bill pay services to improve the patient experience — but their investments are likely to have a positive effect on revenue, too. Online payments can speed up accounts receivable and flow through accounting and reconciliation without human intervention or other overhead costs, like paper and postage.

Many more solutions — like mobile apps, appointment reminders and patient scheduling tools — can be dual-purpose. They can improve patient experiences and lower costs … and alleviate staff headaches … and increase appointment show rates. As they move forward, rural healthcare organizations need to prioritize more win-win solutions to maximize their technology investments.

With data and technology, rural healthcare organizations can address their people and revenue concerns. They can also ease the burden on overworked staff and make better decisions for the hospital and the community overall.

Change happens fast. If organizations wait too long to pursue digital and people strategies, they risk losing stable ground. Rural healthcare organizations need to act on their optimism and ambitions today.
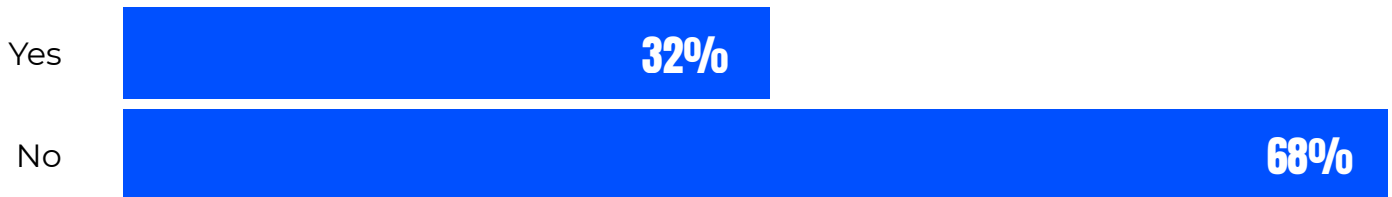
Appendix: The raw data

Wipfli received survey responses from 106 healthcare leaders in 26 states.

The survey collected answers from October 2023 through November 2023. All responses were confidential and anonymous.

Percentages may not equal 100% due to rounding.

Do you have an affiliation with a larger health system?

Yes	32%
No	68%

Which of the following best describes your organization?

Critical Access Hospital	75%
Rural Health Clinic - independent	10%
Rural Health Clinic – provider-based	8%
Other	5%
Rural PPS hospital	2%
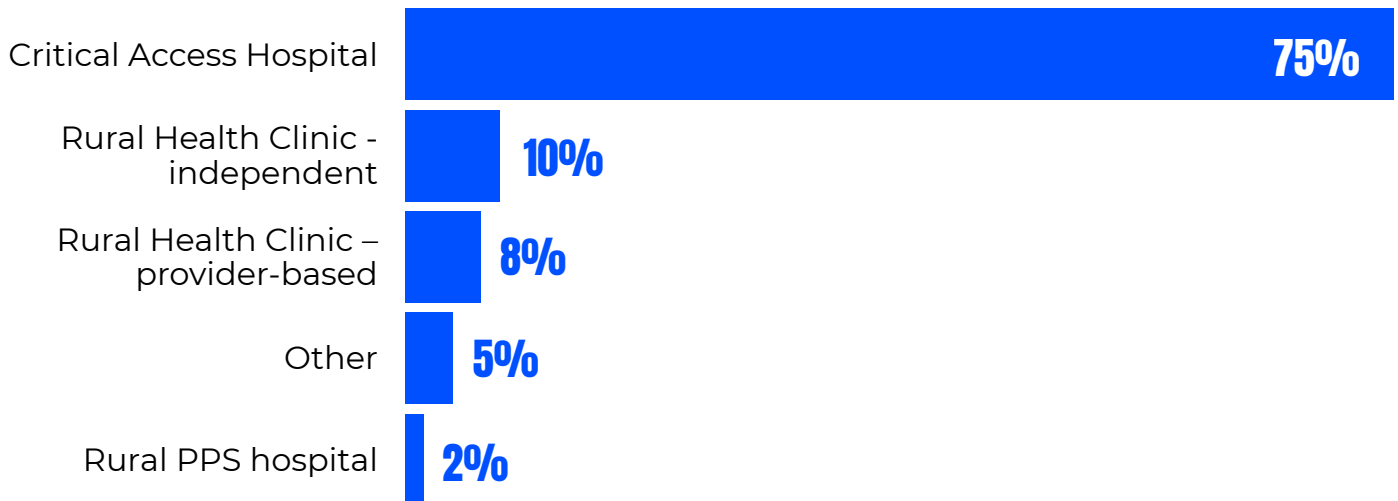
How optimistic are you regarding the current financial viability of your organization?

Cautiously optimistic	71%
Completely optimistic	20%
Not optimistic at all	9%

Which statement best describes your organization's level of financial stability as compared to a year ago?
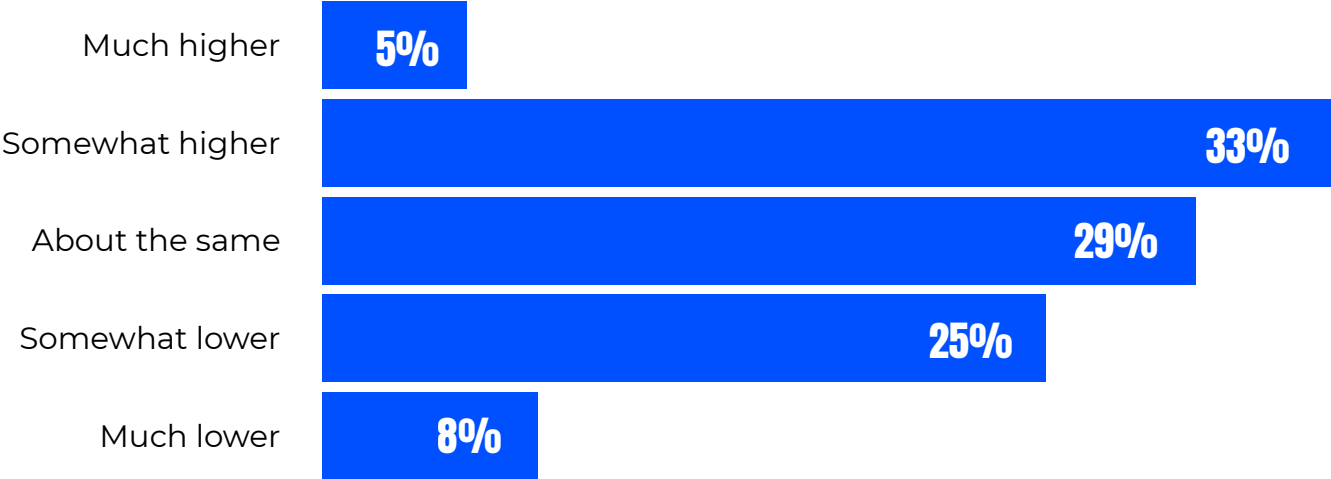
Much higher	5%
Somewhat higher	33%
About the same	29%
Somewhat lower	25%
Much lower	8%

Which statement best describes your organization's level of financial stability as compared to five years ago?
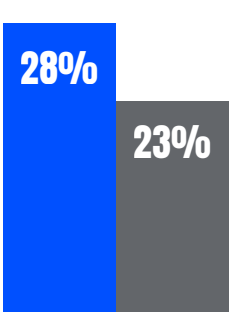
Much higher
- 2024: 28%
- 2023: 23%

Somewhat higher
- 2024: 32%
- 2023: 20%
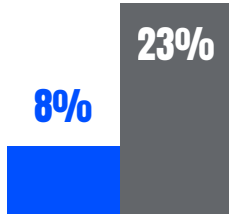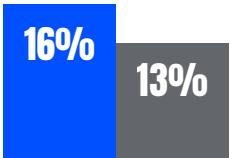
About the same
- 2024: 8%
- 2023: 23%

Somewhat lower
- 2024: 16%
- 2023: 13%
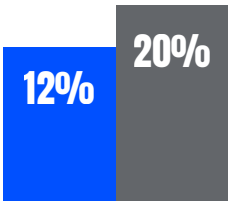
Much lower
- 2024: 12%
- 2023: 20%
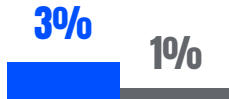
Don't know
- 2024: 3%
- 2023: 1%

What key strategies/actions is your organization undertaking this year to increase revenues?

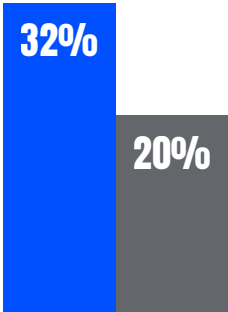| Strategy	Percentage
Assessing revenue cycle	72%
Expanding existing service lines	70%
Working on revenue capture initiatives	65%
Launching initiatives to capture greater market share in our primary market	64%
Reducing usage of temporary staff	54%
Reviewing/negotiating payor contracts/payor mix	50%
Lobbying for additional Medicaid/state funds	32%
Pausing capital investment projects	26%
Restricting non-care-related spending	24%
Launching a donor campaign	19%

Please rate your level of concern for each of the following:

Category	Extremely concerning	Somewhat concerning	Not concerning
Cost of labor, benefits and other expenses	80%	20%	
Labor shortages/ employee turnover	64%	31%	5%
Medicare/Medicaid reimbursements	57%	41%	3%
Cybersecurity	50%	46%	4%
Managing payor contracts	45%	51%	4%
Leadership capacity and burnout	39%	51%	10%
Ability to pay for necessary technology investments	32%	58%	10%
Technology integration	27%	63%	9%
New facilities/ improvements	27%	53%	20%
Capital planning	24%	64%	12%
Strategic planning	21%	61%	18%
Organizational culture	17%	58%	25%
Reduction in patient base due to local economic factors	14%	53%	33%
Other	13%	47%	39%

Legend:
- Extremely concerning
- Somewhat concerning
- Not concerning

Which best describes your organization's level of digital maturity?

- **Fully embraced digital transformation across the organization** — 18%
- **Moderately digitalized with various technologies integrated** — 47%
- **Partially implemented digital solutions in certain areas** — 28%
- **In the early stages of digitalization exploration** — 7%
- **Not digitalized at all** — 0%
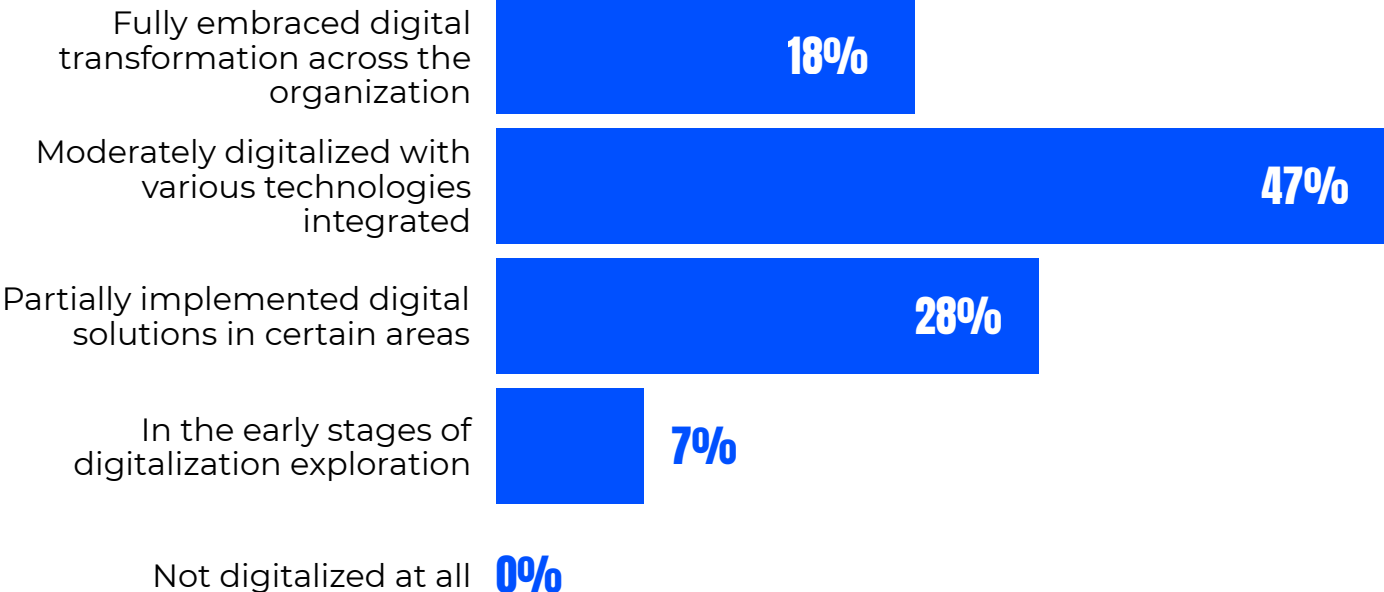
Which of the following tools have you developed/implemented to improve the consumer/patient experience?
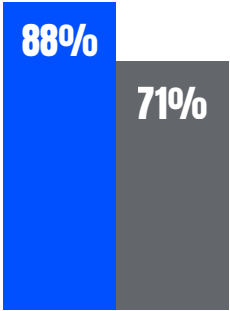
Online bill pay
- 2024: 88%
- 2023: 71%
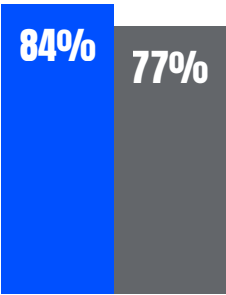
Telehealth/ virtual visits
- 2024: 84%
- 2023: 77%
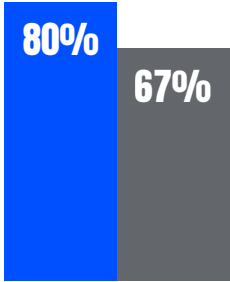
Mobile apps/ patient portal
- 2024: 80%
- 2023: 67%
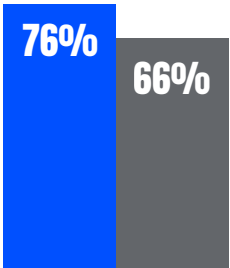
Hospital price transparency/price estimator tools
- 2024: 76%
- 2023: 66%
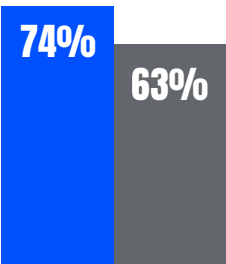
Text appointment reminders/ confirmation apps
- 2024: 74%
- 2023: 63%
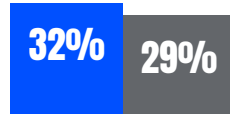
Patient scheduler tools
- 2024: 32%
- 2023: 29%

For the tools you've implemented, what has been the impact to the consumer/patient experience?

Highly improved consumer/patient experience **11%**

Somewhat improved consumer/patient experience **76%**

No change to consumer/patient experience **12%**

Negative change to consumer/patient experience **0%**
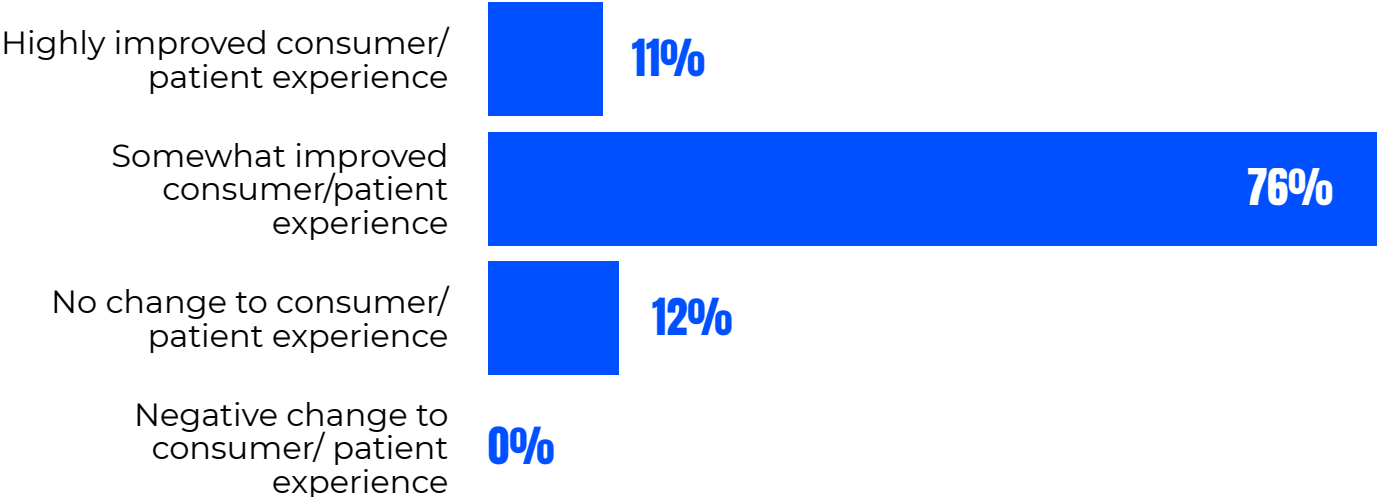
Please rate your level of concern for each of the following revenue and reimbursement factors.

Factor	Extremely concerning	Somewhat concerning	Not concerning
Managing claims denial	61%	31%	8%
Negotiating commercial payor contracts/ managing relationships	58%	35%	7%
Reimbursement/fee schedules changing with Medicare/Medicaid	57%	40%	4%
Minimizing billing/ coding errors	41%	52%	8%
Optimizing cost reporting strategies	40%	44%	16%
Annual pricing strategy	28%	59%	12%
Ability to properly code vs. coding errors	25%	61%	13%
Cost report errors or omissions that impact reimbursement	25%	49%	26%

Legend:
- Extremely concerning
- Somewhat concerning
- Not concerning

How many times in the past year has your organization identified unauthorized access to corporate networks and data?

More than 10 times **4%**

6-10 times **0%**

3-5 times **2%**

1-2 times **13%**

0 times **82%**
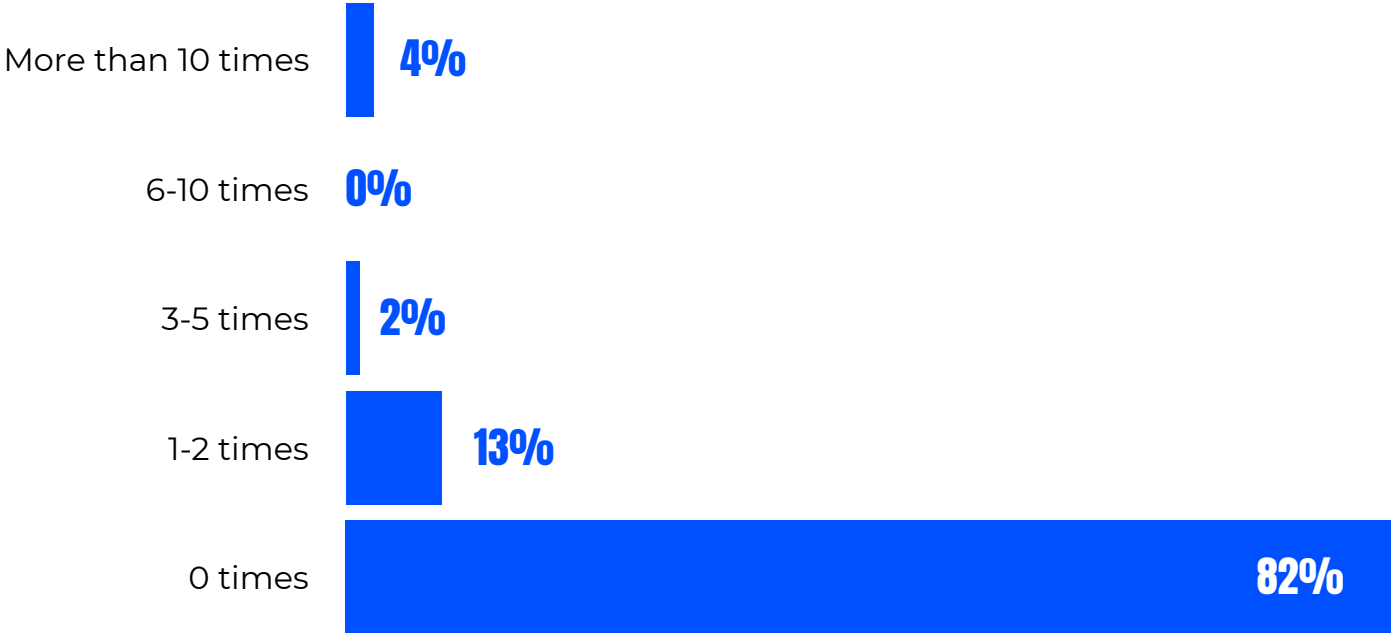
What actions has your organization taken in the past 12 months to ensure the security of its network and data?

Implemented safeguards to better protect networks and data (e.g., enhanced access controls, maintenance procedures, 24/7 security monitoring)
81%

Conducted a cyber risk assessment
74%

Increased investment in cybersecurity technologies (e.g., enhanced access controls, maintenance procedures, 24/7 security monitoring)
70%

Conducted penetration testing
62%

Improved systems and processes to more rapidly identify a cybersecurity event
60%

Developed or revised a cyber risk management policy that communicates cyber prevention, detection, response and recovering actions
52%

Adopted an industry-standard, all-encompassing cybersecurity framework
36%

Hired cybersecurity expertise or added a virtual CISO
27%

No steps taken to improve security
3%

Compared to last year, which best describes your current workforce shortage?

Better	35%
Same	40%
Worse	23%
I didn't have a shortage last year.	3%
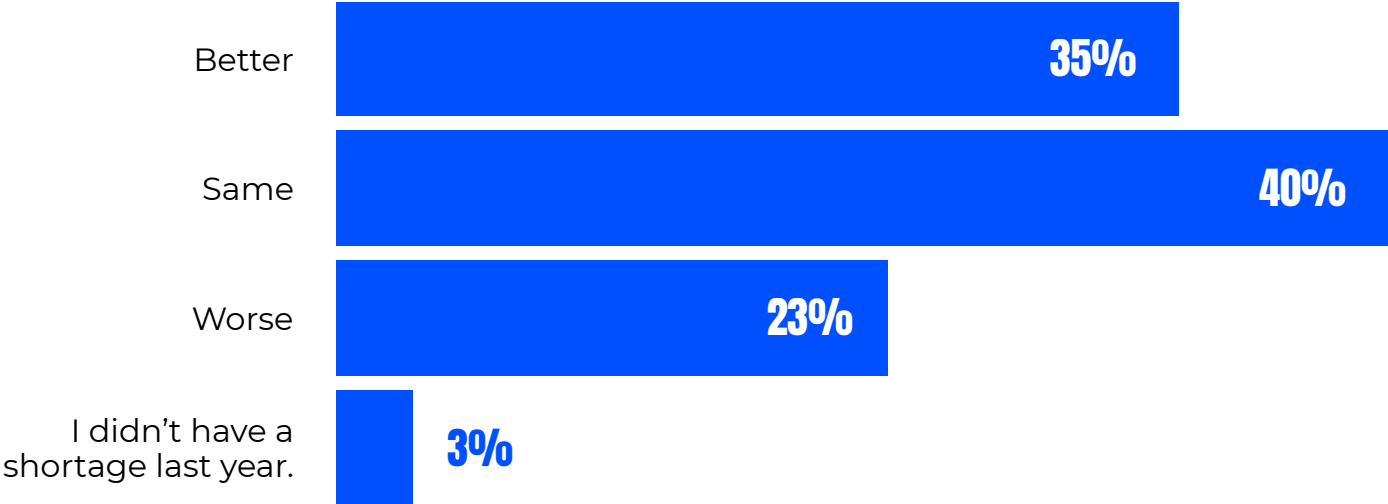
Which of the following methods have you used successfully in the last year to help address your staffing issues?

Method	Percentage
Increased wages	92%
Focused on organizational culture	75%
More proactively recruited candidates	63%
Utilized traveling/temporary clinical staff	58%
Increased benefits, reduced hours, paid education, perks	53%
Leadership training	52%
Hosted training programs for Certified Nursing Assistants or other clinical personnel	42%
Recruited international workforce	24%
Used technology to improve clinical workflows	23%
Telehealth	16%
Outsourced non-clinical services	15%
Utilized traveling/temporary non-clinical staff (i.e., finance, billing, dietary)	14%
Developed our own medical education and residency programs	9%
Other	1%

Approximately how many years has your current administrator been in their role at your organization?

Category	Percentage
1-2 years	21%
3-5 years	28%
6-10 years	28%
10-15 years	11%
16+ years	11%
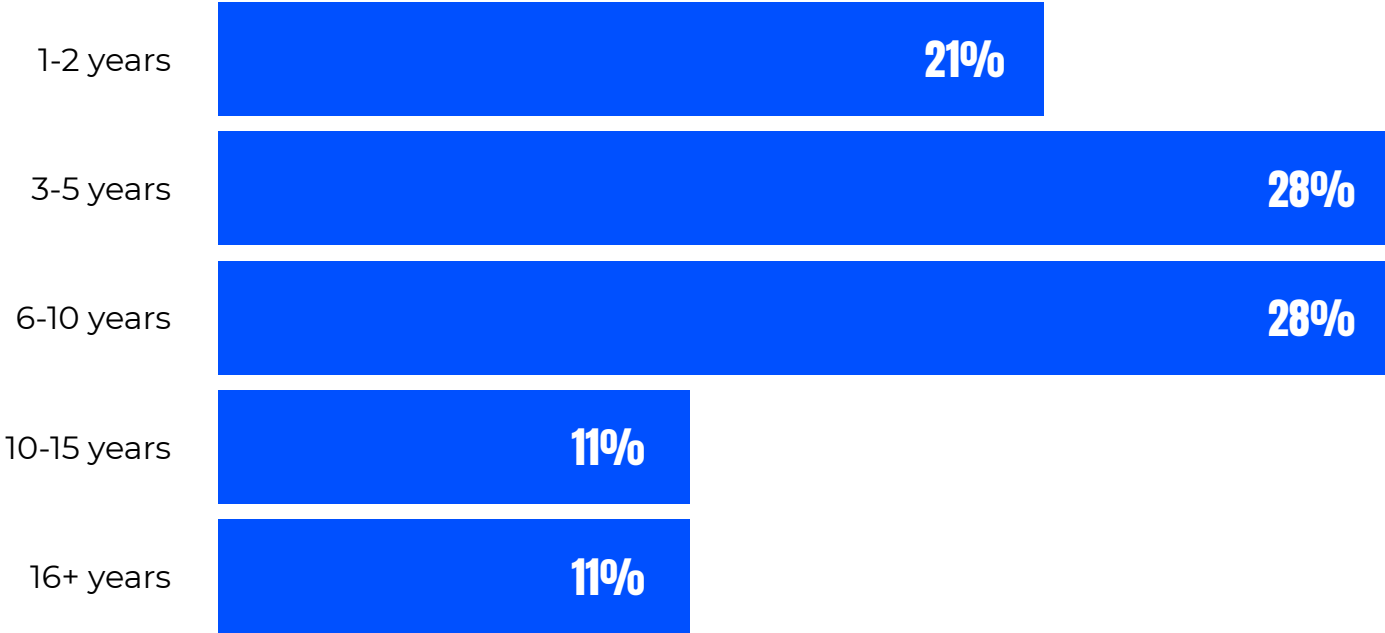
How likely are you to consider outsourcing (either in full or in part) the following roles/functions in your organization?

Role/Function	Percentage
Laundry	36%
Billing and accounts receivable	23%
Accounting functions	11%
Dietary/food service	10%
Housekeeping	9%
CIO/CTO	8%
Director of reimbursement	7%
CFO/financial leader	4%
Human resources leader	3%
Chief nursing officer	1%
CEO/executive director	1%
Medical director	1%
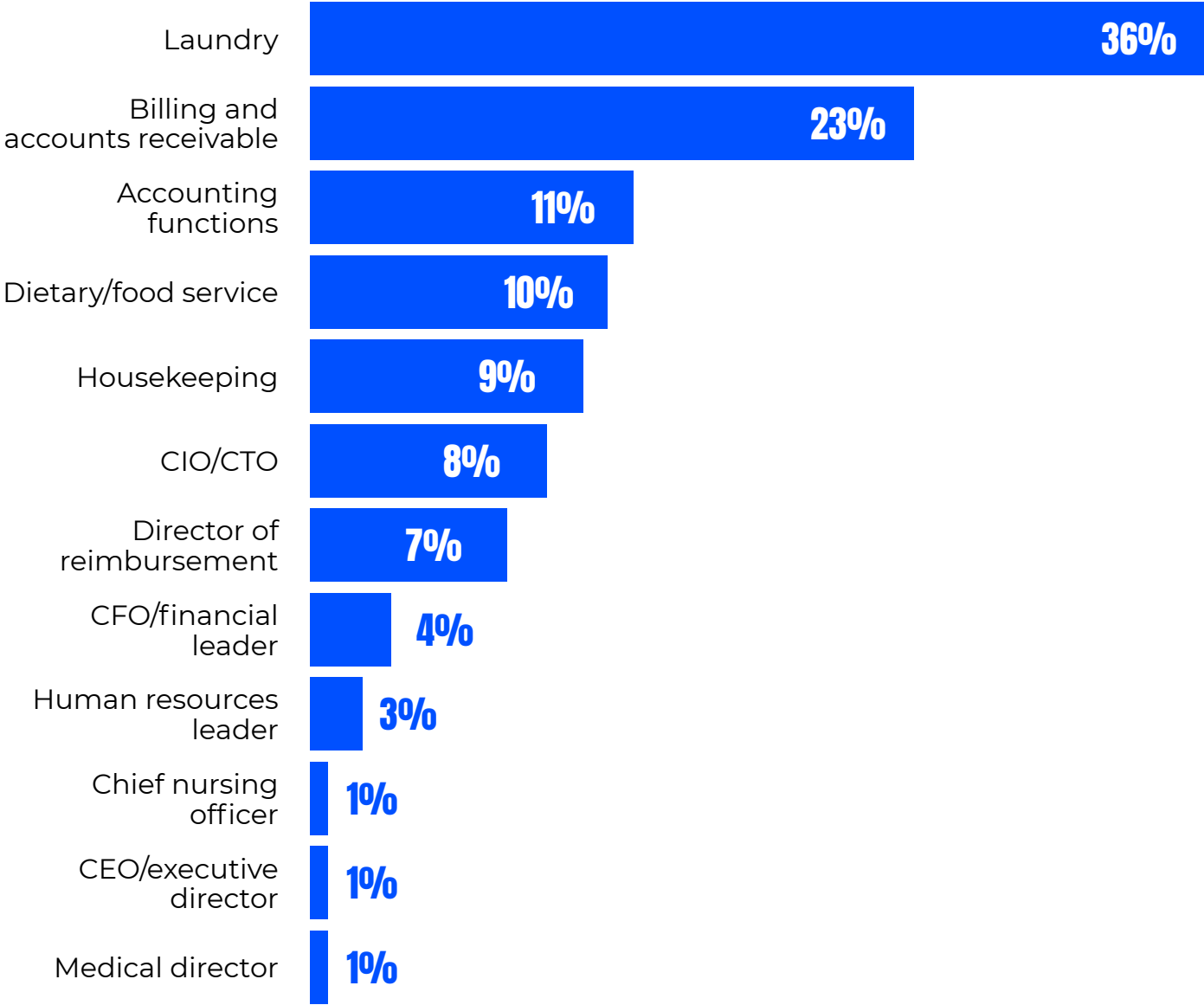
When it comes to the educational/training needs of your employees, what are the most pressing needs they have?

Category	Extremely pressing	Somewhat pressing	Not pressing at all
Optimizing reimbursement/revenue cycle	60%	36%	4%
Leadership skill development	48%	49%	4%
Legislative/regulatory/policy changes	32%	60%	8%
Cost reporting methods/rules	32%	52%	16%
Organizational development	31%	63%	6%
Succession planning	30%	59%	11%
Data analytics/AI to manage the business	29%	55%	16%
Managing technology/data risks/cybersecurity	26%	63%	11%

- Extremely pressing
- Somewhat pressing
- Not pressing at all

In the next 2-5 years, does your organization have plans to expand/ invest in new technology platforms?

Yes
- 2024: 47%
- 2023: 59%

No
- 2024: 21%
- 2023: 16%
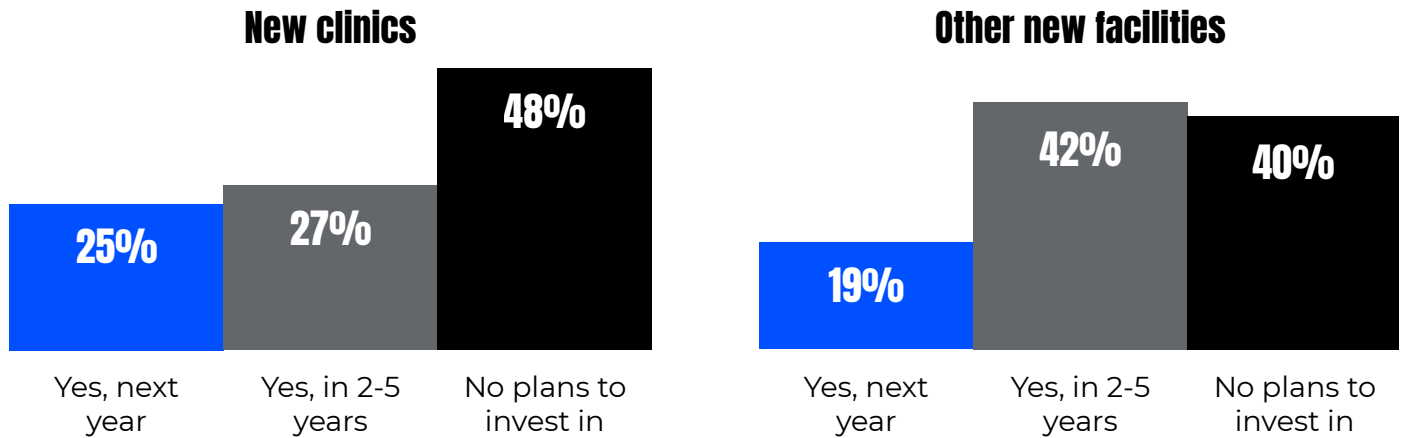
Unsure
- 2024: 32%
- 2023: 25%
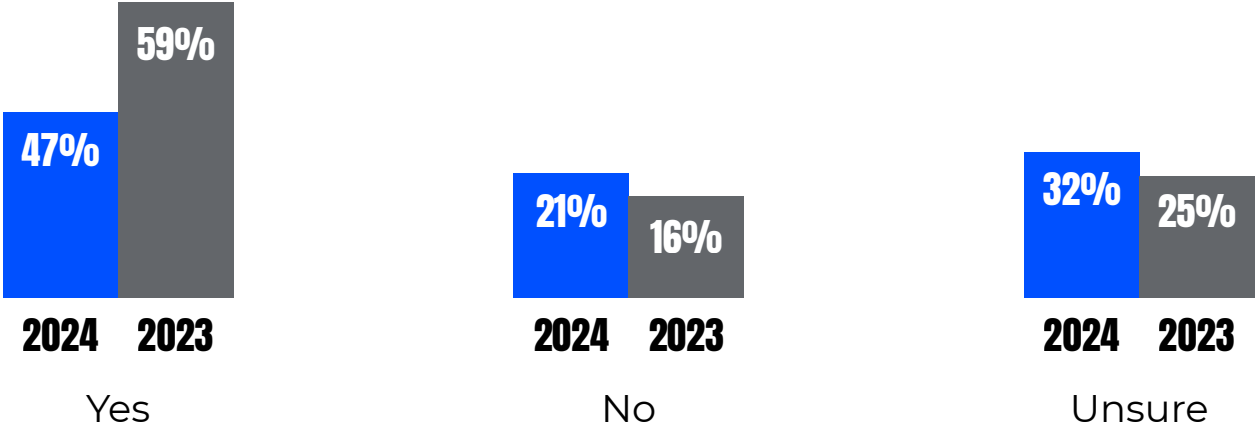
If yes (above): In the next year, what technology systems do you plan to expand or purchase?

Only asked of those who answered yes to investing in new technology platforms, similar to consolidation question below.

Category	2024	2023
AI (artificial intelligence) technologies	52%	31%
IT infrastructure/cloud computing	50%	59%
Text appointment reminders/confirmations/scheduling apps	48%	44%
Patient portal	38%	46%
EMR/EHR (electronic medical records/electronic health record) system	36%	46%
Business intelligence tools	46%	N/A
Financial reporting system	40%	N/A
Integrated human resource management system	30%	N/A
Payroll system	30%	N/A
Billing system	26%	N/A
ERP (enterprise resource planning) tools	24%	N/A

2024 ■ (blue)
2023 ■ (gray)

Do you have plans to invest in the following?

New clinics

25% Yes, next year
27% Yes, in 2-5 years
48% No plans to invest in

Other new facilities

19% Yes, next year
42% Yes, in 2-5 years
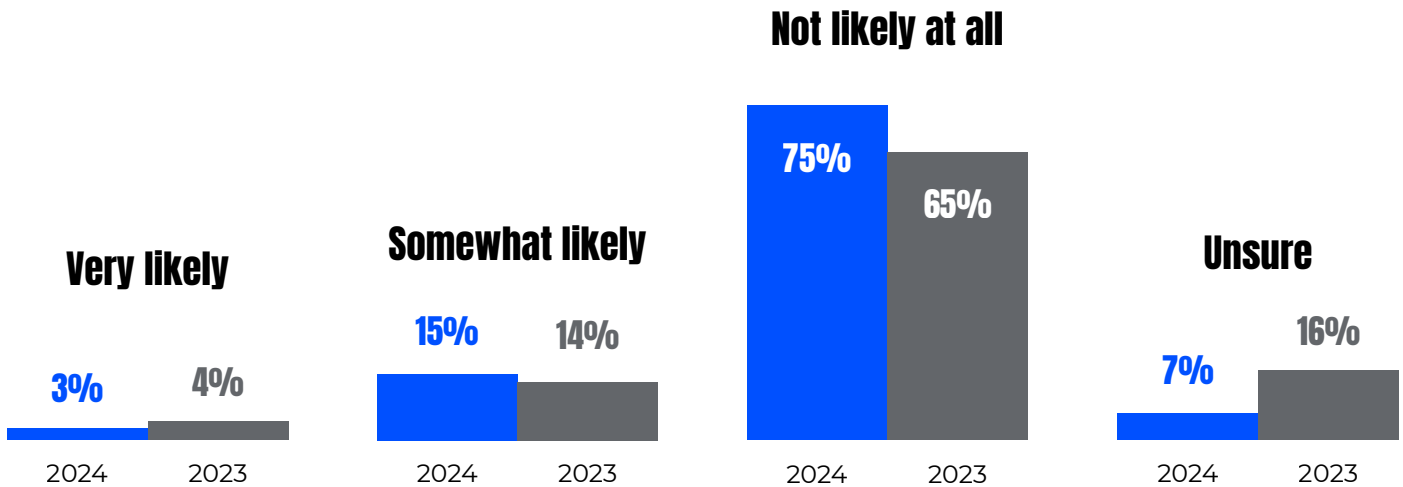**40%** No plans to invest in

In the next 2-5 years, how likely is your organization to consider merging or consolidating with another healthcare organization?

Only asked of those who said they do not have an affiliation with a larger health system

Very likely
3% 2024
4% 2023

Somewhat likely
15% 2024
14% 2023

Not likely at all
75% 2024
65% 2023

Unsure
7% 2024
16% 2023

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