

November 5, 2025

PERSPECTIVE



CHANGES EVERYTHING.

**Future-Proofing Rural Healthcare: A Roadmap for Sustainable
Investment**

2025 ICAHN Conference

WIPFLI

Your
Presenter



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Overview

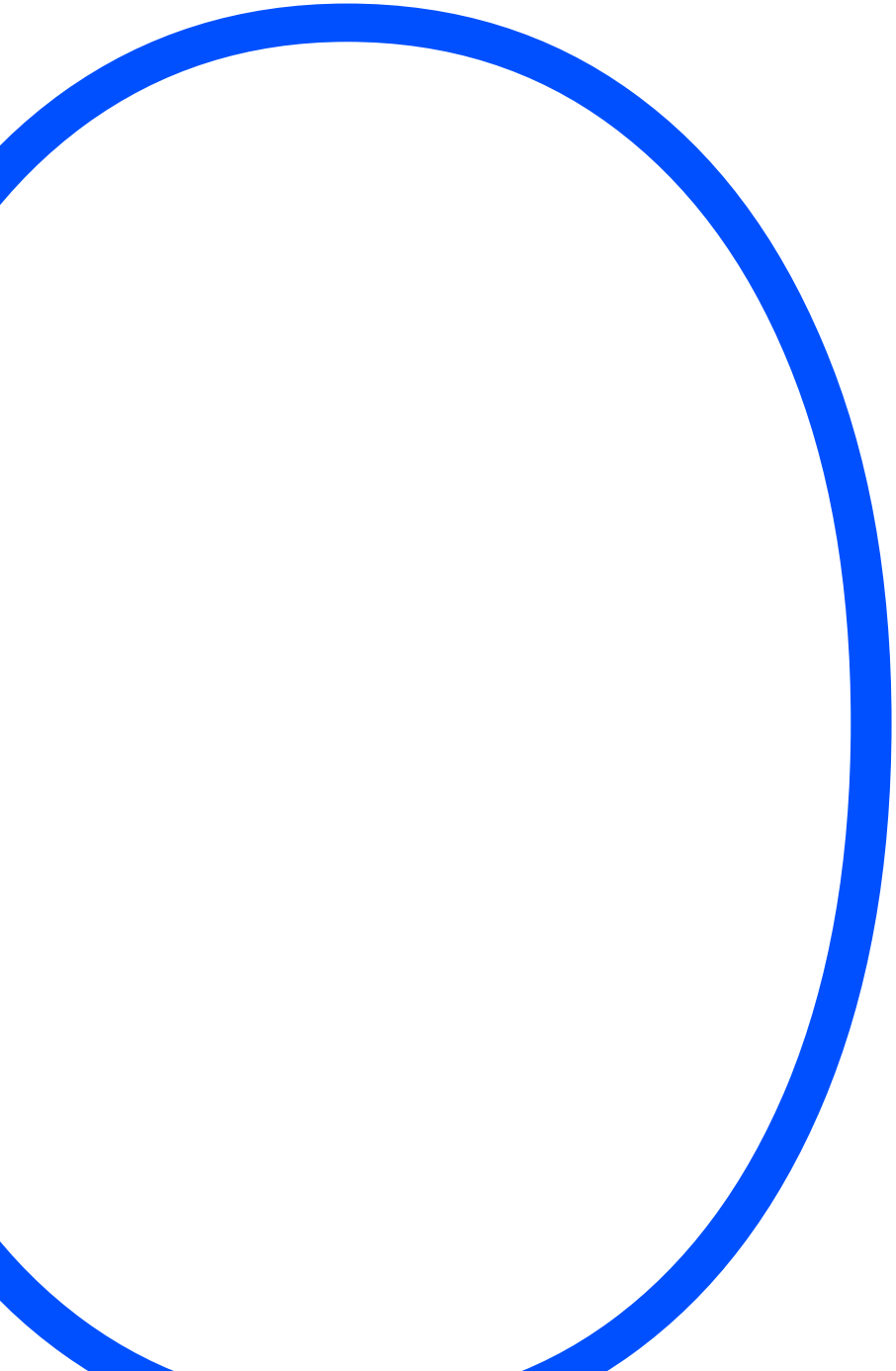
Approach **01**

Service area demographics, market analysis, and future facility needs **02**

Facility master planning **03**

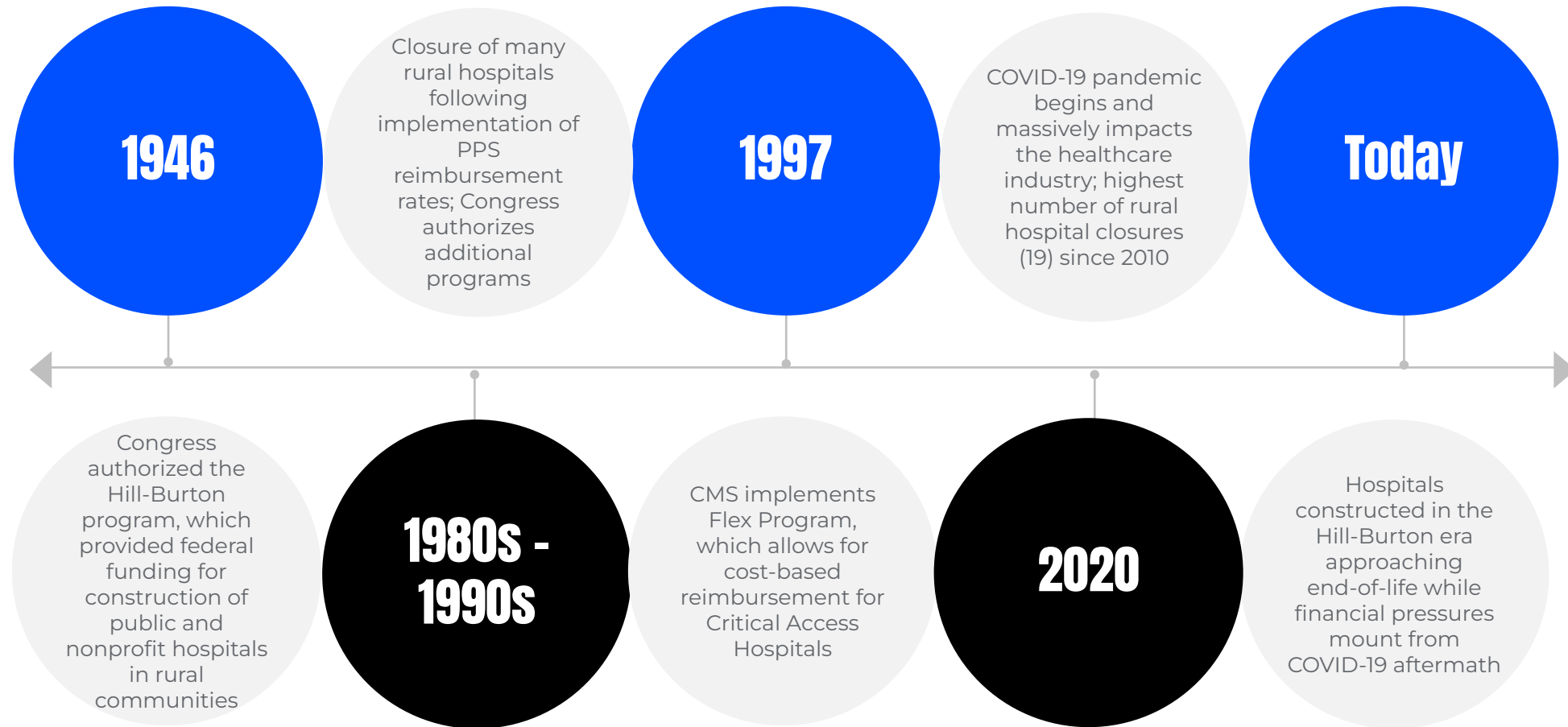
Financial affordability **04**

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State of Rural Healthcare

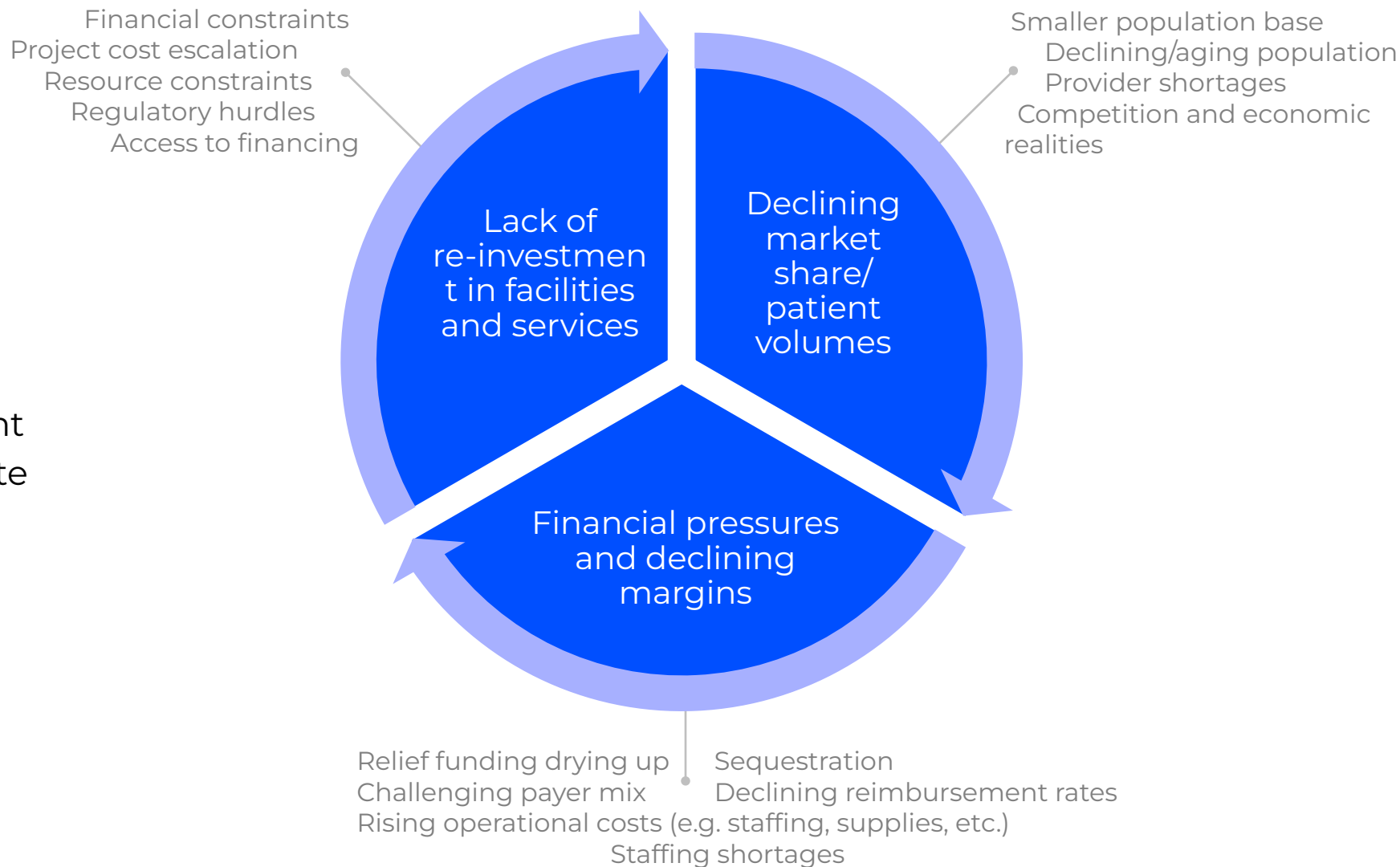
Many rural hospitals were initially constructed in the “Hill Burton” era of the late 40s and 50s; facilities approaching end of life as financial pressures mount



Over 135 rural hospital facilities have closed since 2010, with 19 closures in 2020 alone

Lack of ability to re-invest in facilities is driving independent community hospitals to affiliate with larger health systems in order to access financial resources

Factors driving rural hospital closure:



Wipfli surveyed 75 rural healthcare organizations across 25 states to learn how they're coping. We learned that bad news exists — but so does hope and optimism. The majority of the rural providers we surveyed are in good financial health and confident about the future.

Insights from

75

leaders at rural
healthcare
organizations

Billing concerns spiking and investments increasing in technologies

Key findings

96%

of rural healthcare organizations are optimistic about their organization's financial viability.

41%

said financial concerns/reimbursements are a significant challenge.

78%

said they are "not likely at all" to consolidate or merge with another organization.

65%

said cybersecurity is a top concern — up from ~50% in prior years.

81%

have increased their investment in cybersecurity technologies in the past 12 months.

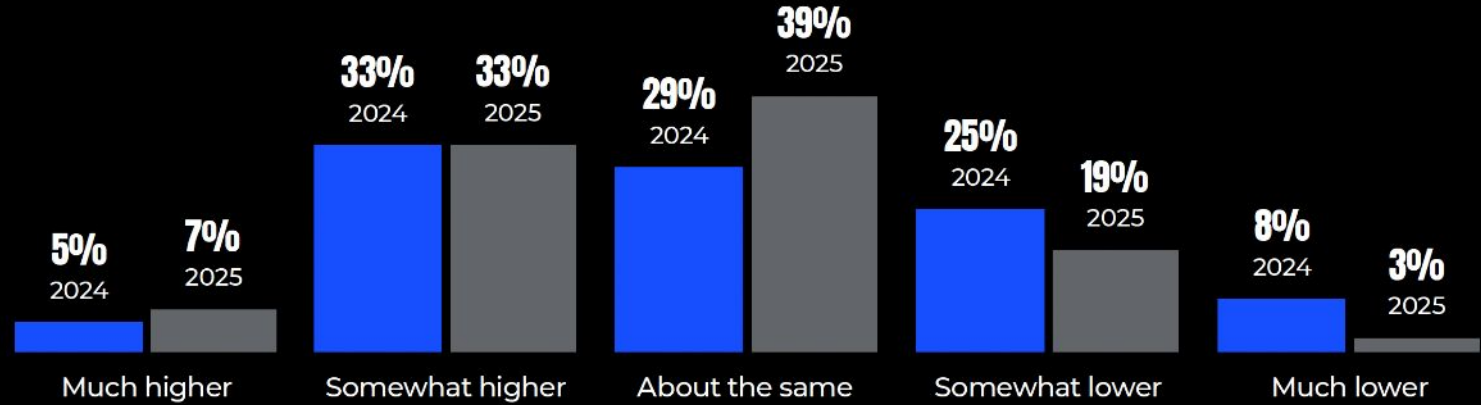
32%

are using AI tools.

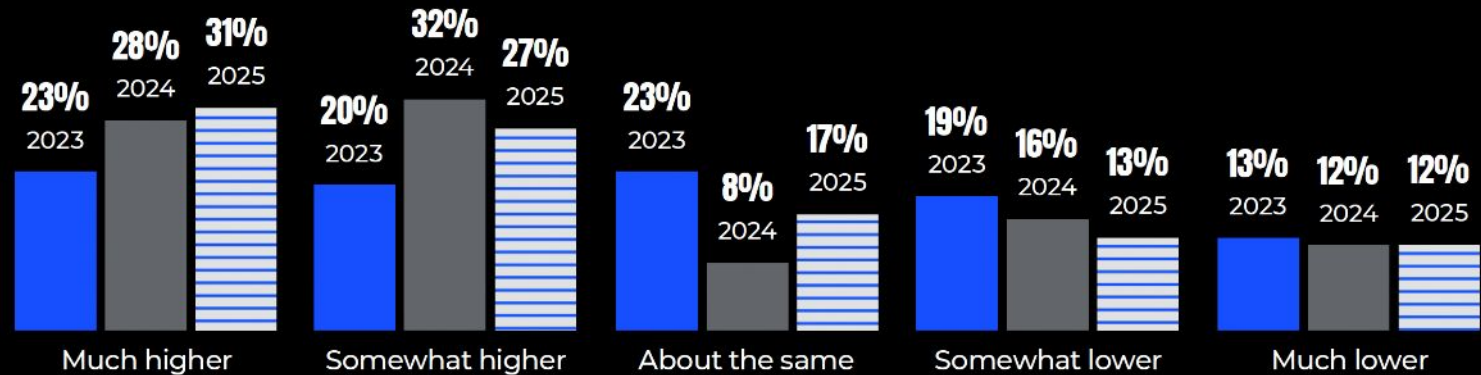
Rural healthcare organizations' financial stability is improving

Leaders say more stable today and more optimistic about the future

Financial stability vs. 1 year ago



Financial stability vs. 3 years ago



We understand the challenging decisions that rural healthcare providers are facing:

Strategic growth opportunities

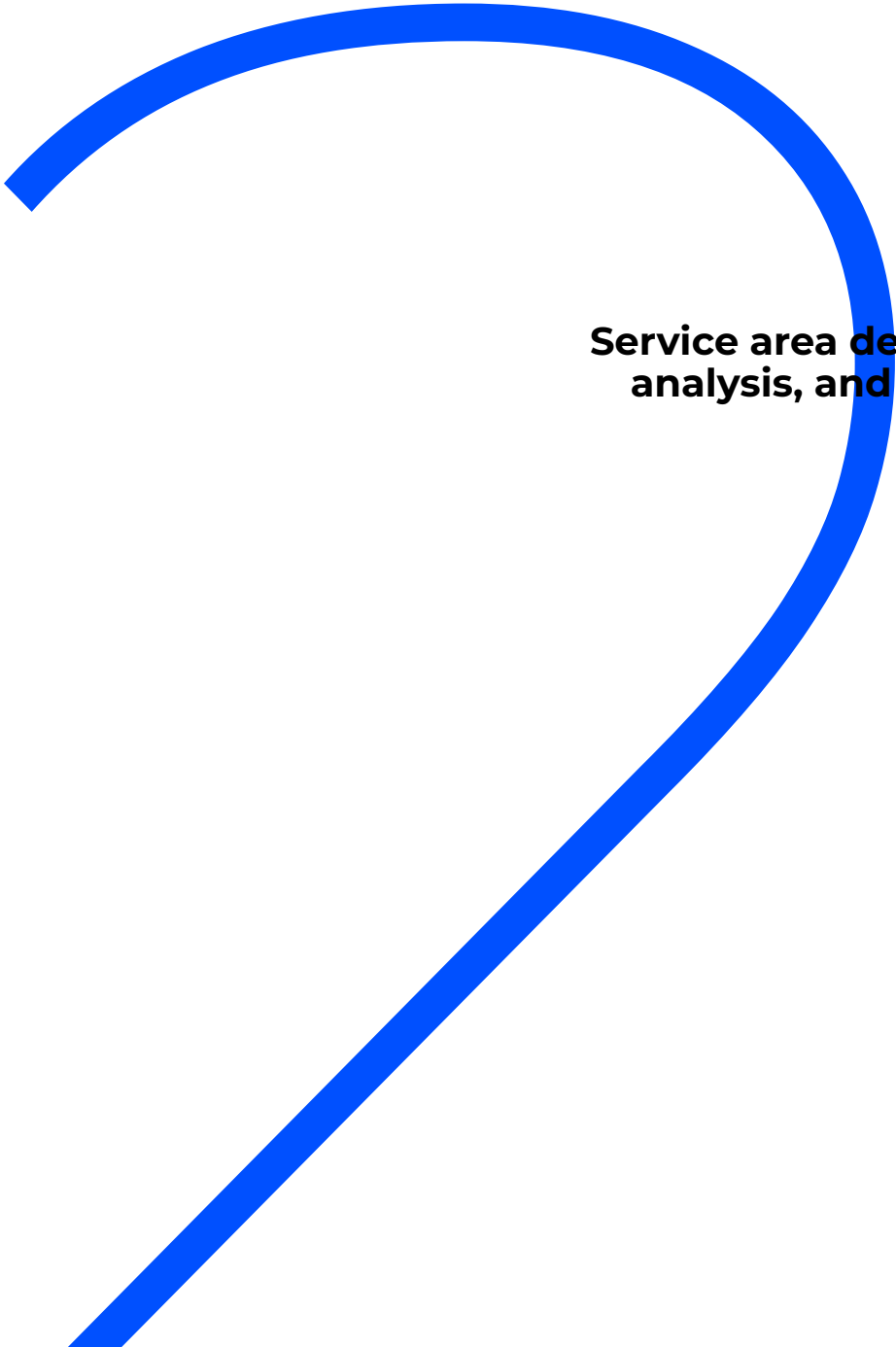
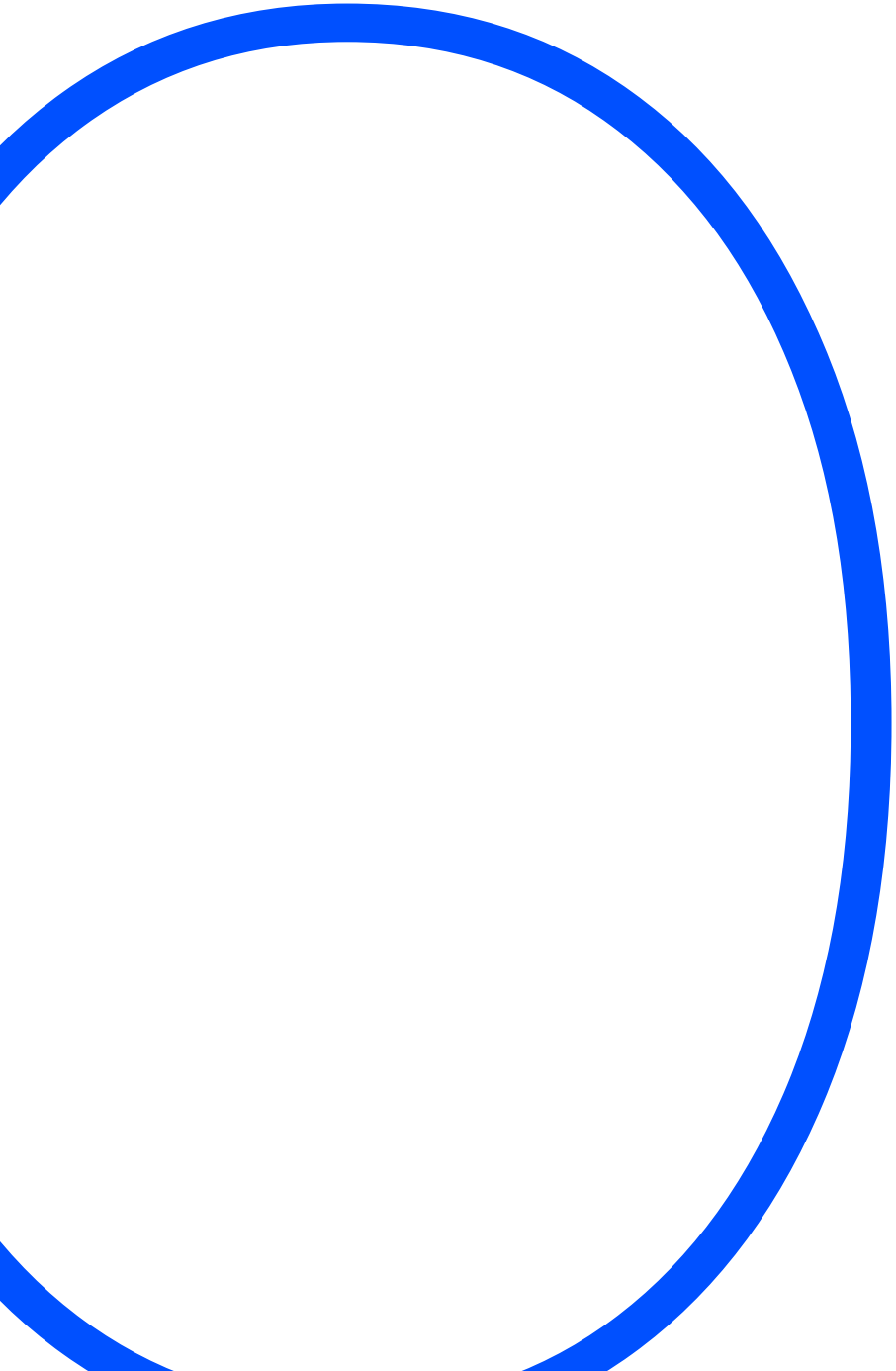
You are seeking to create a **sustainable roadmap** for future strategic, service line and capital investment that **aligns** with the needs of your community over the next 10+ years

Aging facilities

You are experiencing challenges with a **aged facilities** that constrains the ability to not only grow existing services, but to expand into **new service lines** to support the needs of its community

Lack of a strategic service line and facility development roadmap

You lack a **data-driven** strategic market plan to serve as a roadmap to base future service line and capital investments in



Service area demographics, market analysis, and future facility needs

A customized market strategy is a crucial component of aligning facilities with the healthcare needs of your community

Planning for the needs of your community and future growth in providers or services will effectively position your facility project to differentiate your organization, enhance your services, and optimize your project



Population served

- Understanding where your patients originate from allows the market strategy to be tailored to your community's specific healthcare needs



Service area demographics

- Demographics provide essential information about the composition of a community, which significantly influences demand for services



Market share and utilization trends

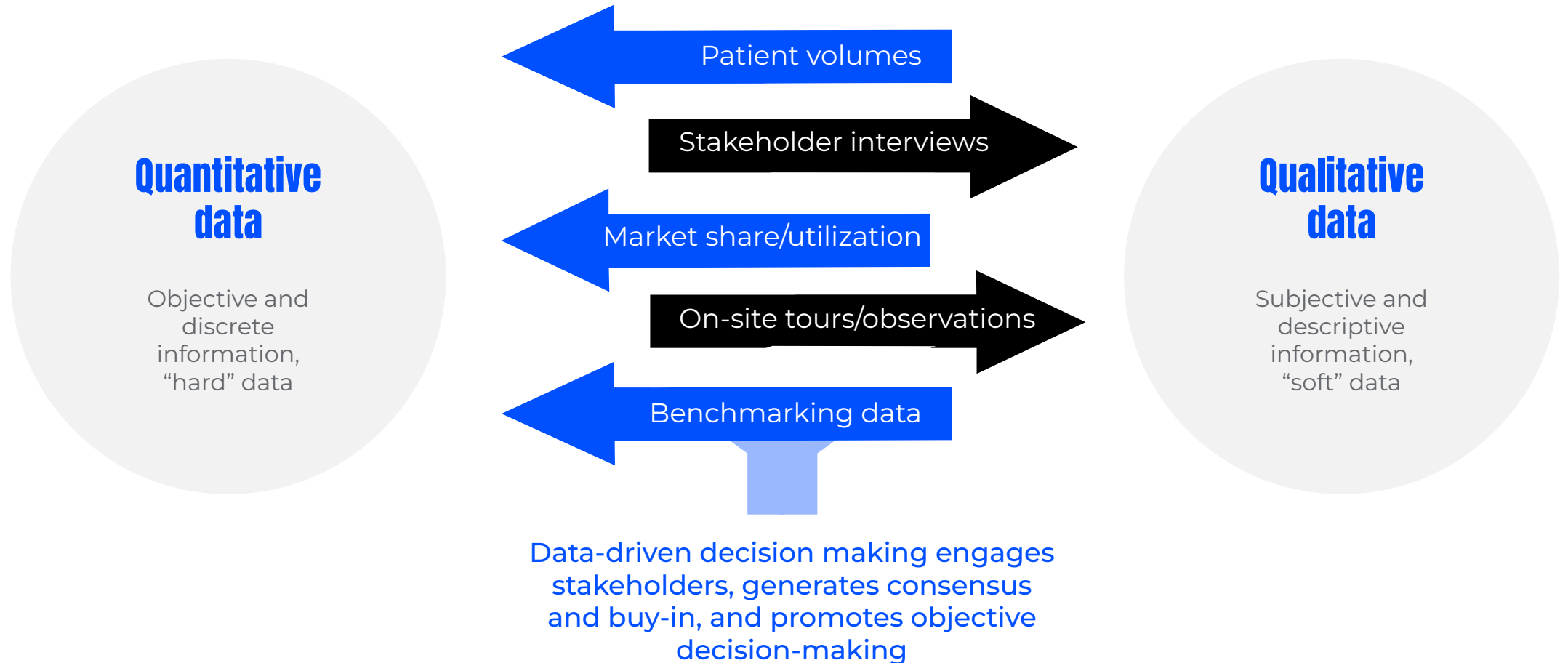
- Market share and utilization trends provide insight into market dynamics and how healthcare is being utilized by your population to inform strategic decision-making regarding growth opportunities



Provider need

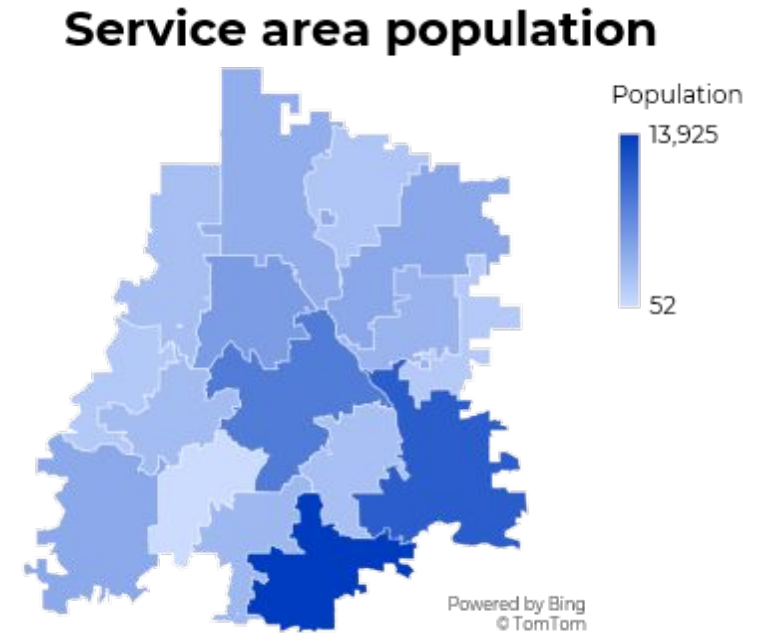
- Understanding the relative supply of and demand for providers helps tailor growth strategies to address unmet needs within the community and inform recruitment strategies

Utilize data to drive your decision making

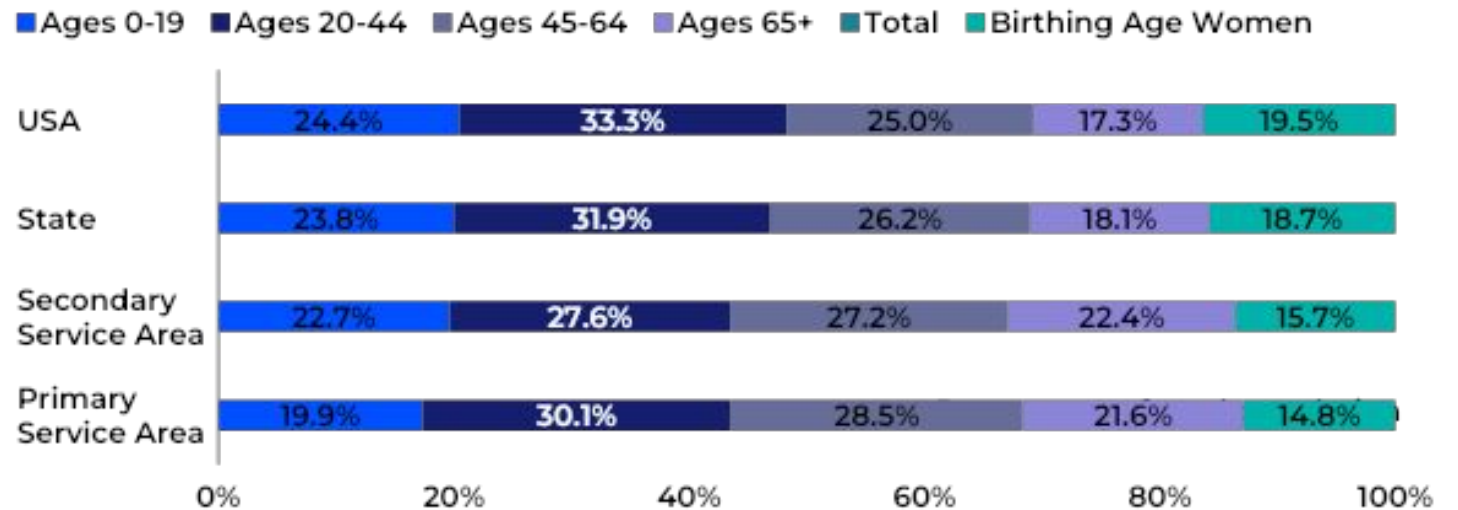


Service area definition and population demographic trends

- Define the service area and key population demographics that impact service utilization
- Analyze historical and future estimated population, and age demographics
- Translate future population into anticipated services and physicians needed to serve the community
- Compare demographics and utilization trends to state and national benchmarks



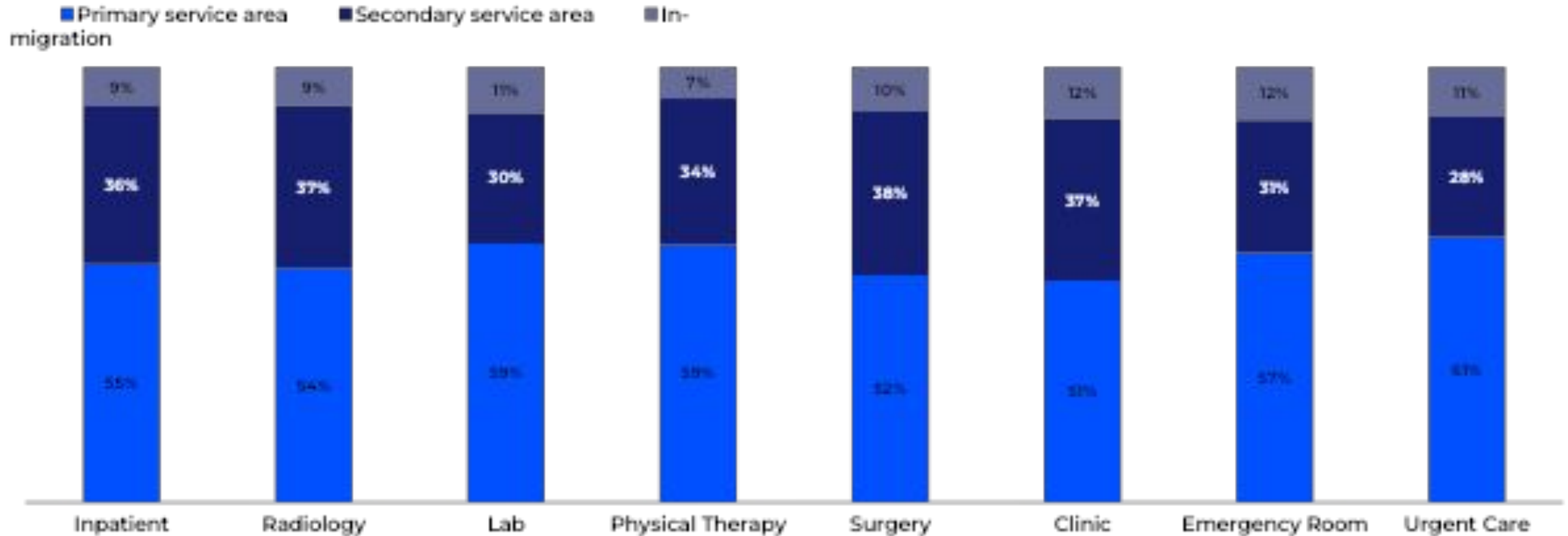
Population trends by age cohort



Review patient origin by major service line to identify opportunities for growth, consolidation, or expansion into new markets

Patient origin by service line

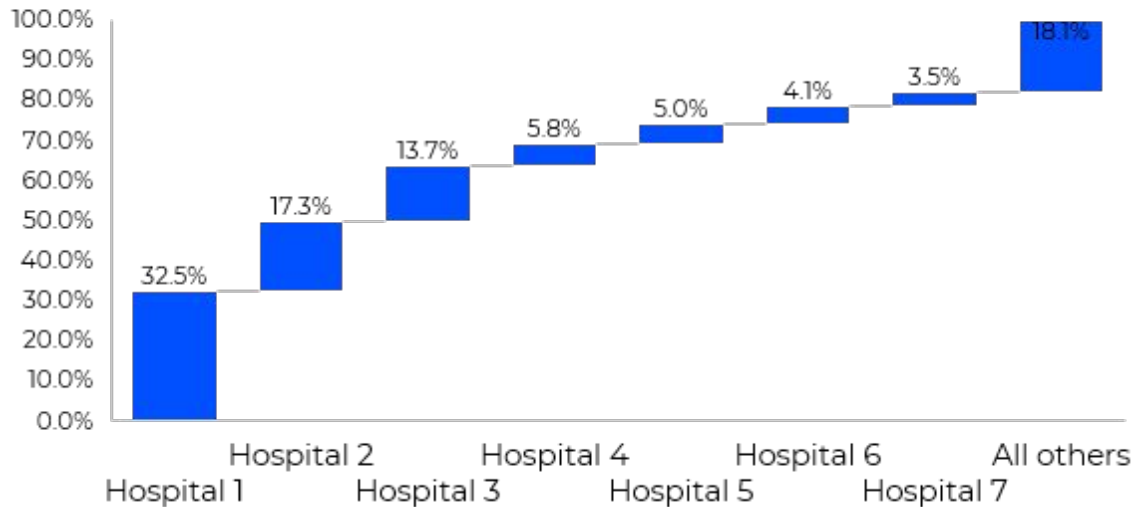
Broader geographic pull from secondary service area for clinic visits, surgery cases, and inpatient discharges



Market share analysis and growth opportunities

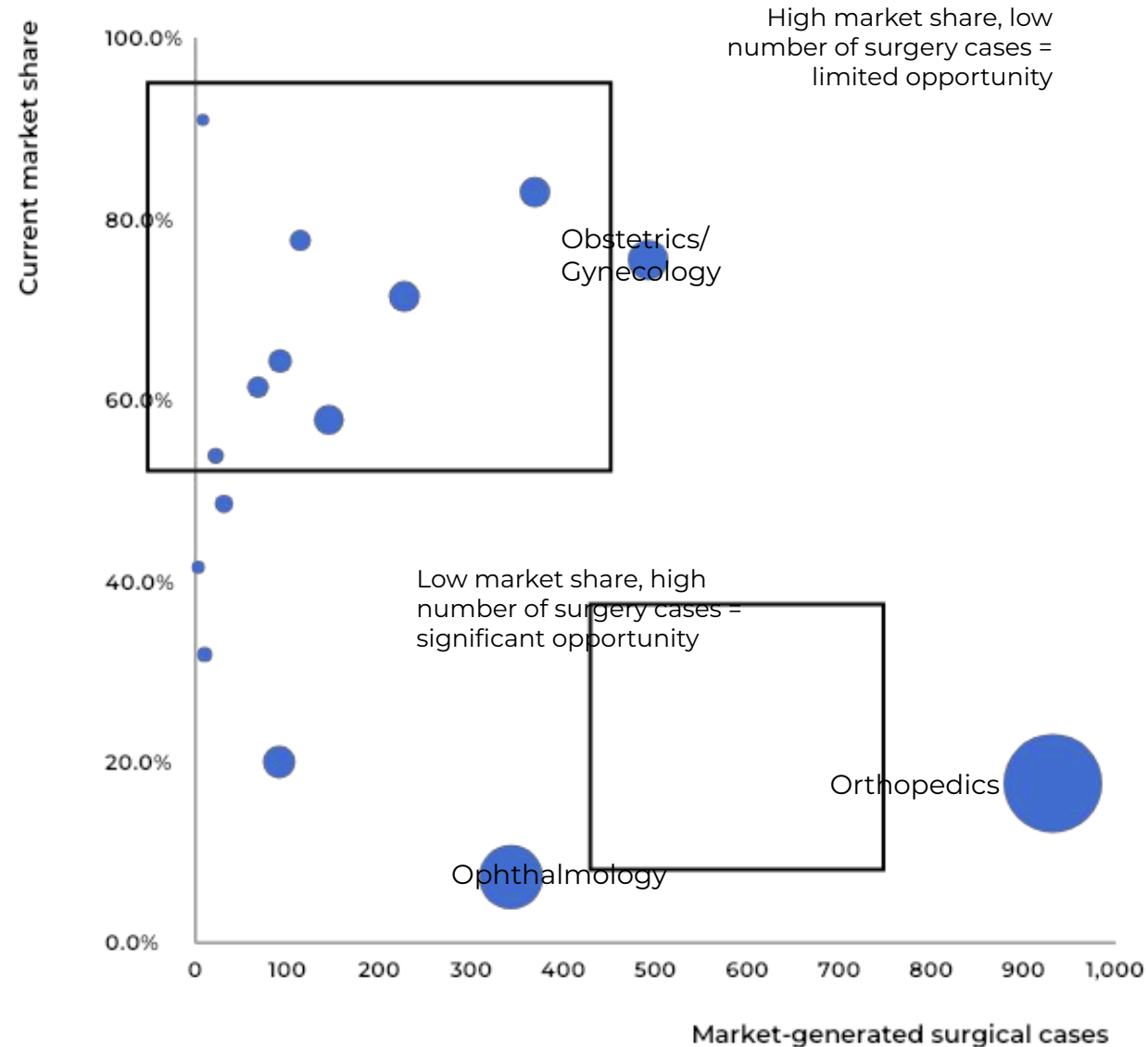
Analyze market share, influence of the hospital's competitors on the market today, and areas for targeted capture by service are, zip code, and/or service line

Inpatient market share trends



Service line opportunities

Size of the bubble represents to total net new opportunity based on current market share



Population-based provider need analysis

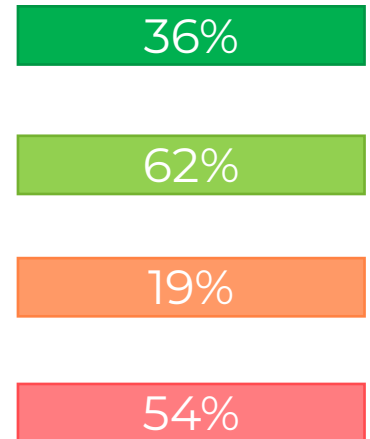
Identify opportunities for growth based on provider gaps/shortages in the market today based on your provider supply/productivity levels, the competitive landscape, and projected population trends

Provider supply vs. demand (in FTEs)



Actual market share captured:

(relative to percentage of total provider supply)

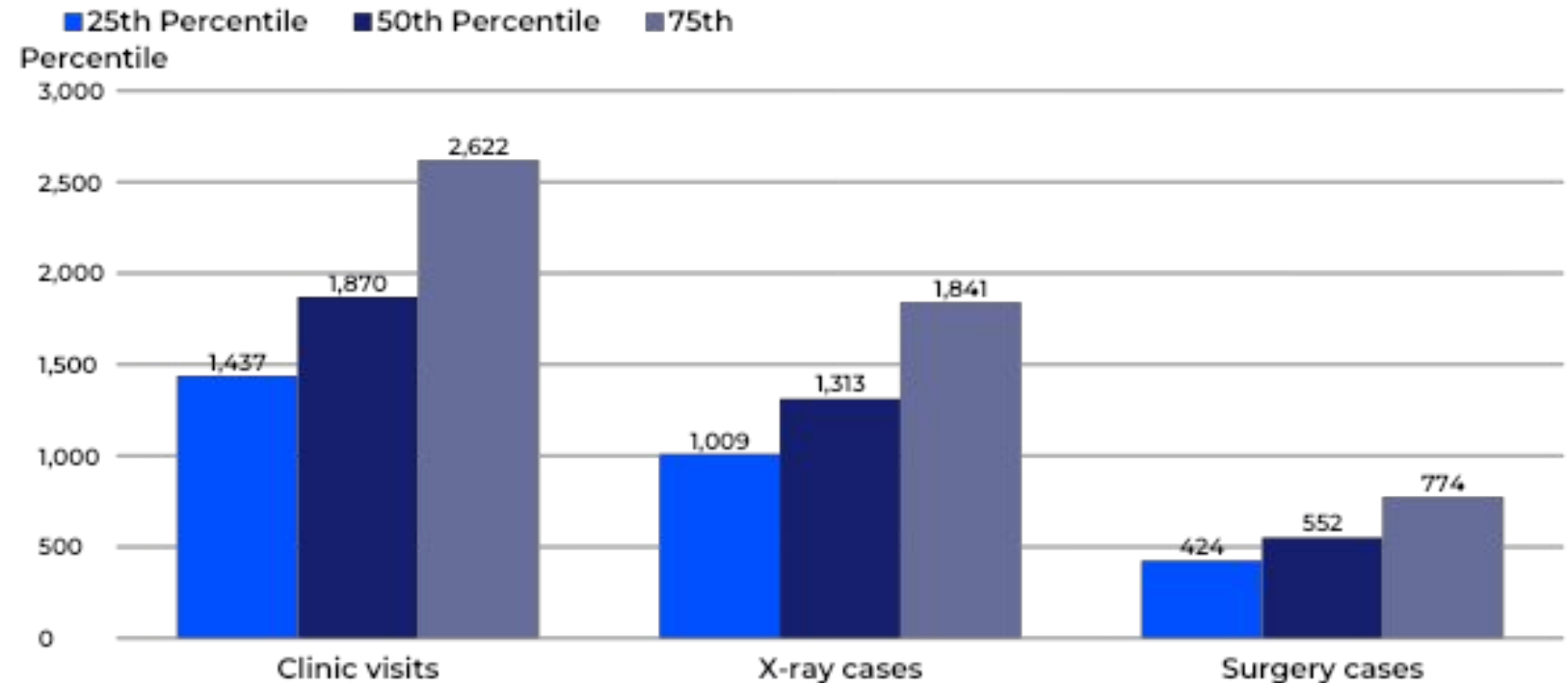


Determine impact of provider recruitments on volumes

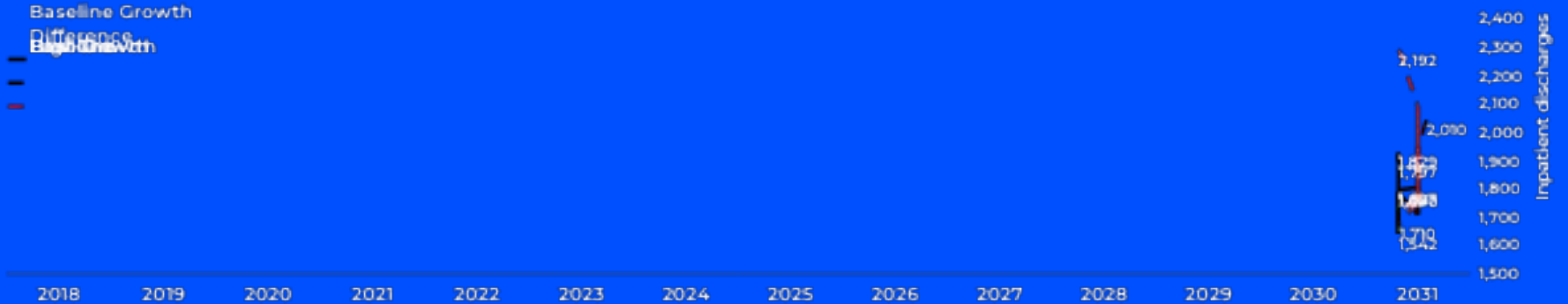
New providers generate more downstream referrals for ancillary services like lab, imaging, and surgery

Estimated impact of new 1.0 FTE orthopedic surgeon by productivity level

Sample based on productivity benchmarks from the Medical Group Management Association, 2021 data



Market-generated inpatient discharge projections



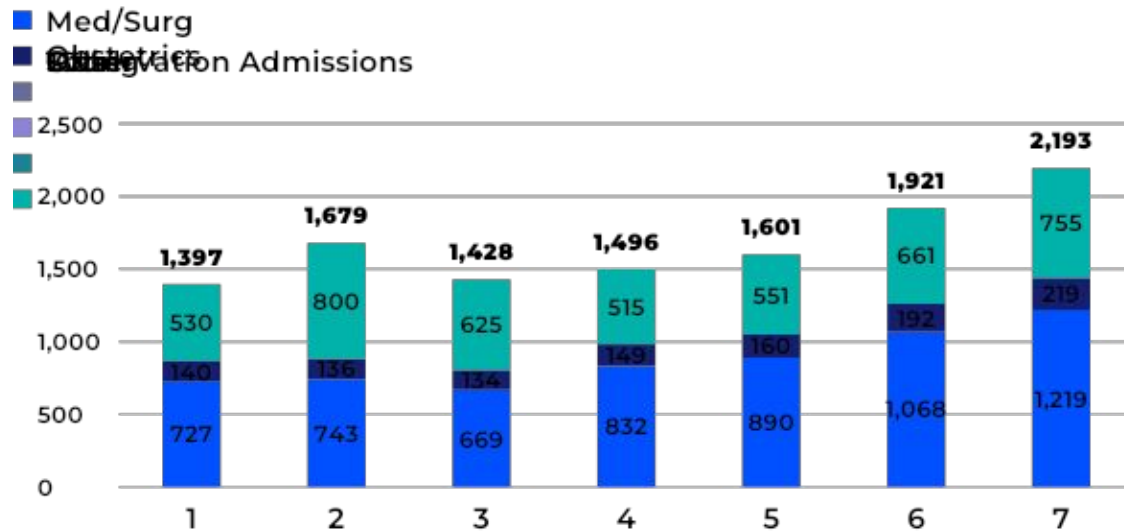
Market utilization trends and future volume forecast

Based on historical and projected trends, forecast anticipated volume to be produced by each market over the next 10 years; overlay market share and in-migration growth/contraction scenarios to estimate discharges captured by your organization

Volume forecast and impact on future bed and ancillary need

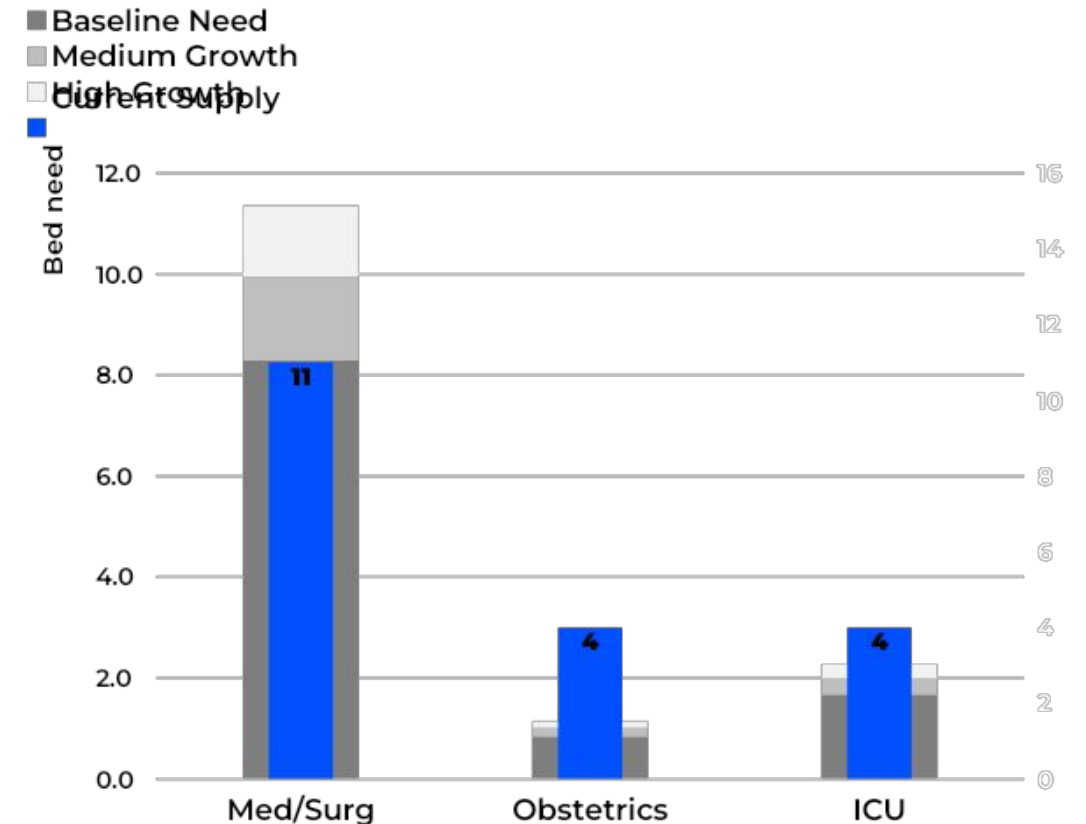
Translate future volumes into key rooms under varying population and/or market share growth scenarios

Inpatient discharge forecast



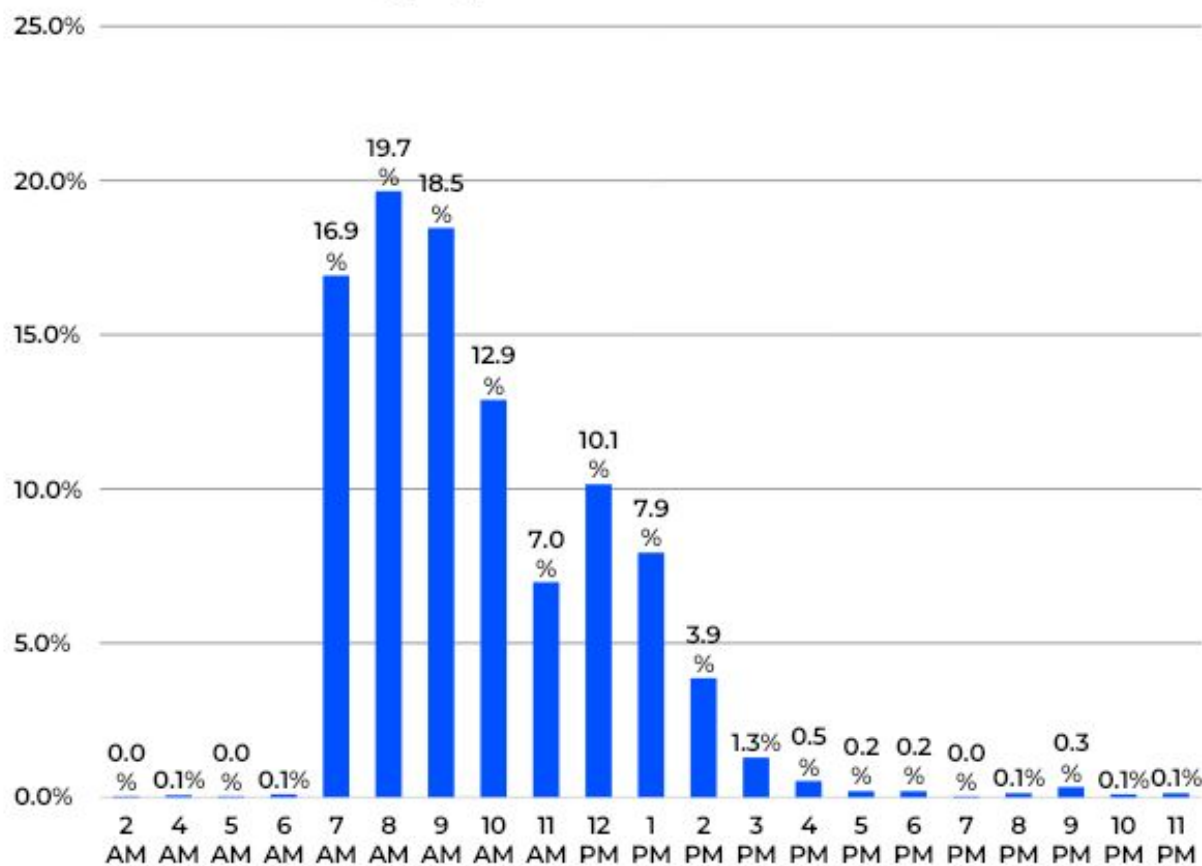
Inpatient bed need analysis

Shortage of med/surg beds projected by 2031 under growth scenarios

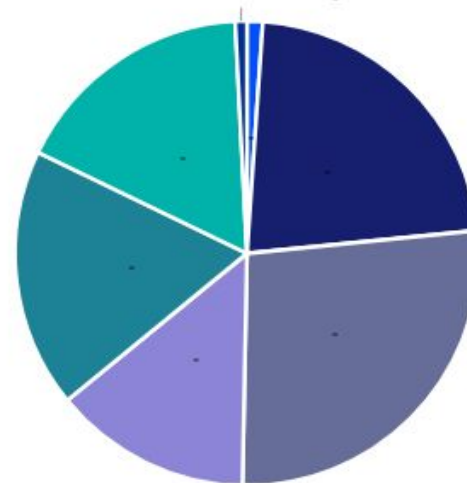


Explore opportunities to improve efficiency of operating room utilization

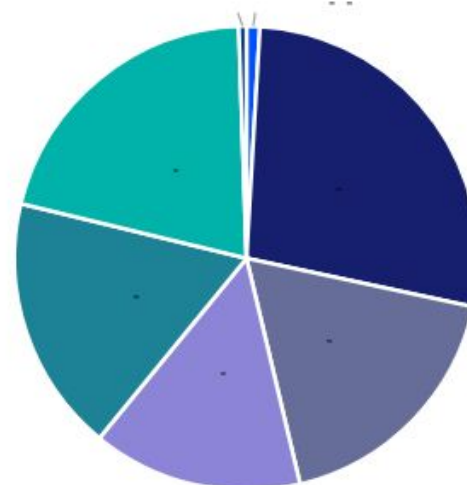
Surgery Case Start Times



Surgical Hours by Day of Week



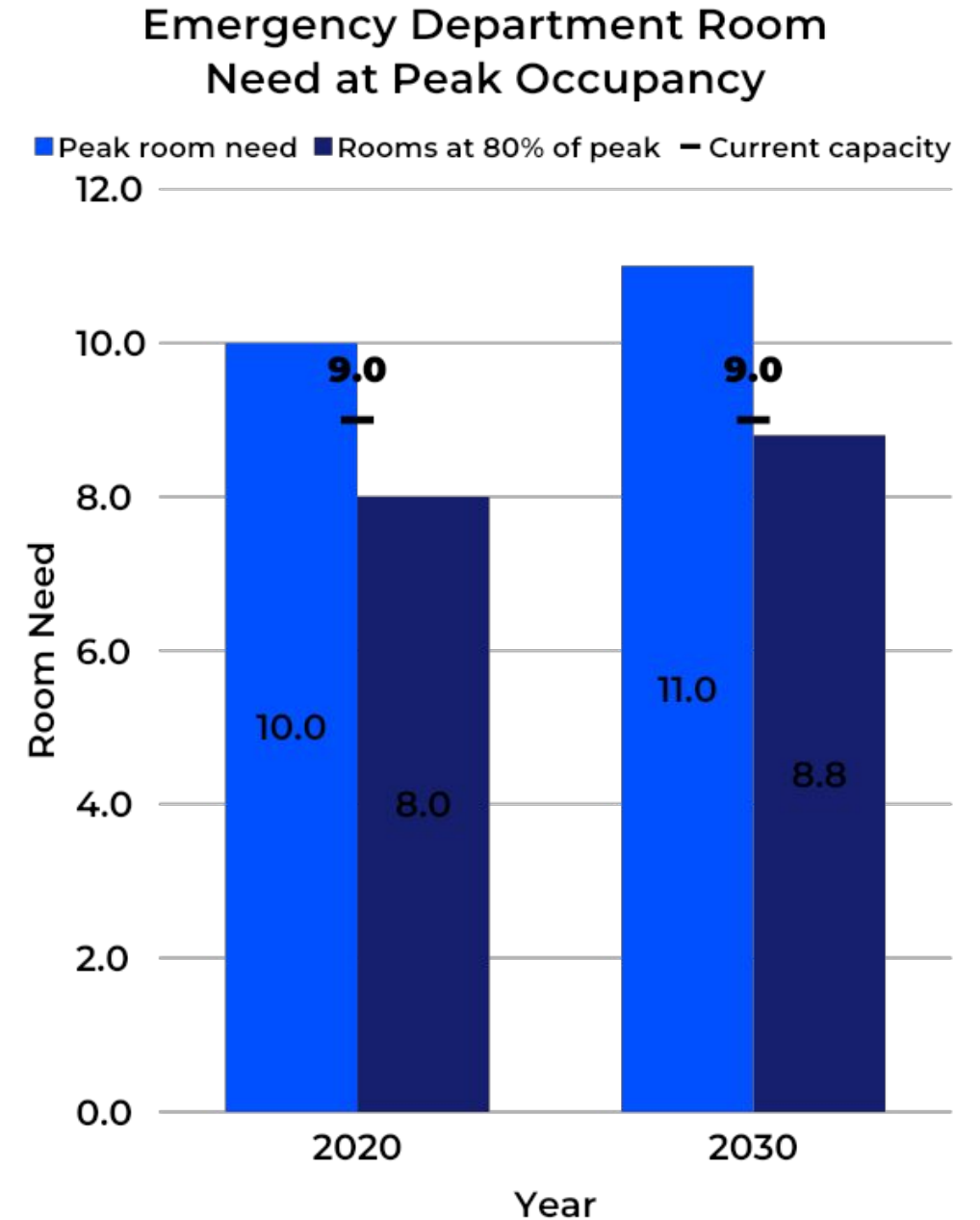
Surgical Cases by Day of Week



Pressure-test emergency department room capacity under peak utilization

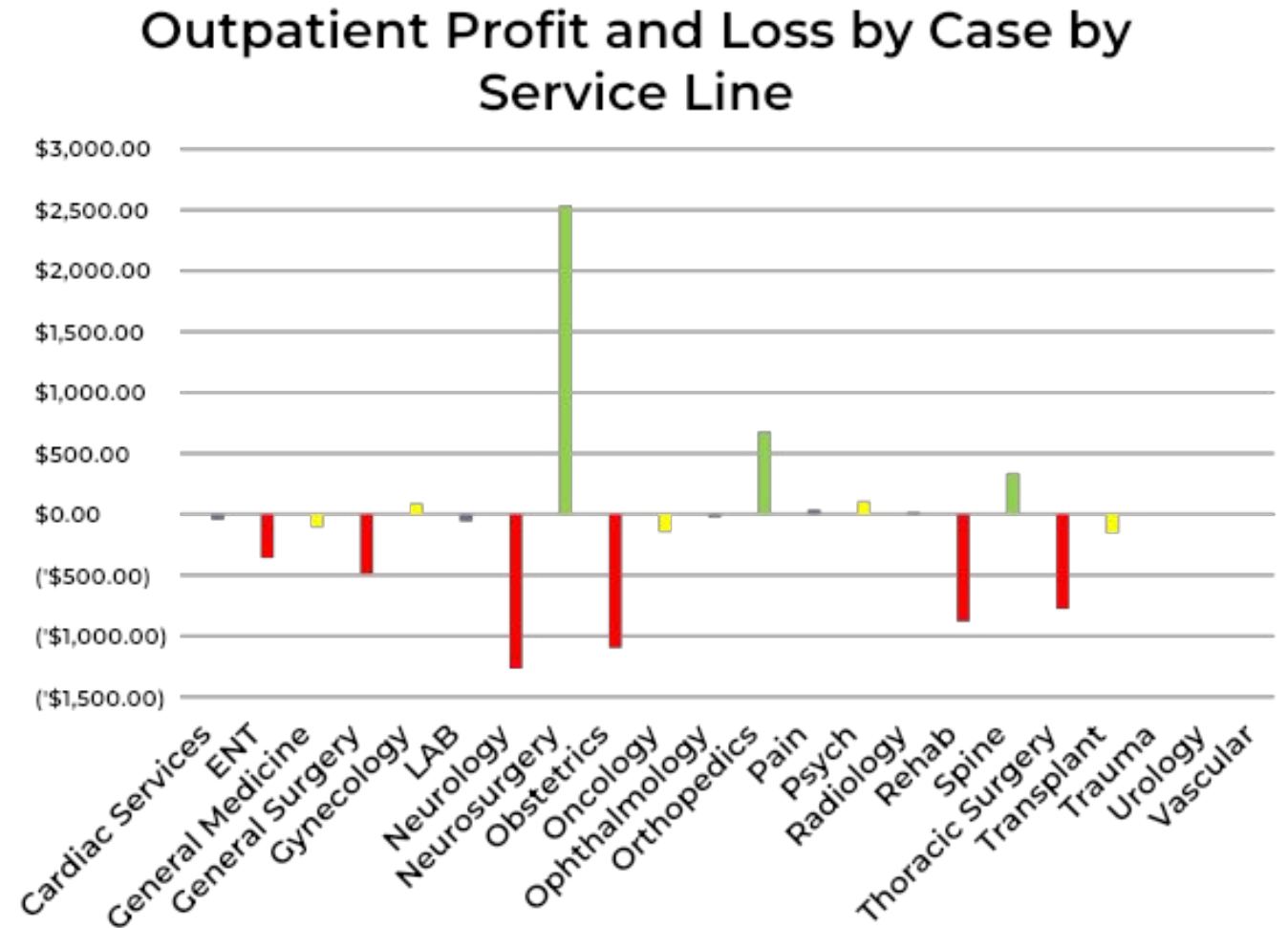
- Develop custom peak factors for your hospital's operations, and calculate treatment room need under various occupancy standards

Period	Hours, Day, Month	Average visits per period	Average visits per Peak Period	Peak Factor
Hour of the day	7:00 - 8:00 PM	0.9	1.5	1.7
Day of the week	Saturday	21.7	22.8	1.1
Month of the Year	July	661.4	1,051.0	1.6



Understand which services are your hospital's “leaders” and which services are your “laggards”

- Competitive shifts and changing patient needs have resulted in new opportunities to grow existing service lines or expand into new ones
- ▶ If your hospital is in a “survive state”, conducting a service line profitability analysis will allow you to make informed decisions on how to market and leverage your services to drive higher margins



Model out any new potential service line offering before you begin offering it

New service offerings should be carefully vetted beyond an internally-generated pro forma to ensure that 1) there is a market need for the service; and 2) the service won't drive the hospital into the red

Case study: Gastroenterology

Population-driven gastroenterologist need:



Benchmark-driven clinic visits per provider:



	2021	2022	2023	2024	2025
Revenue:					
Net patient service revenue	\$ 1,281,921	\$ 1,343,857	\$ 1,398,757	\$ 1,447,844	\$ 1,498,894
Total operating revenue	1,281,921	1,343,857	1,398,757	1,447,844	1,498,894
Expenses:					
Salaries and wages	822,491	847,166	872,581	898,759	925,721
Employee benefits	139,348	143,529	147,835	152,270	156,838
Supplies	124,545	128,281	132,129	136,093	140,176
Purchased services	11,316	11,542	11,773	12,009	12,249
Professional fees	2,939	2,997	3,057	3,118	3,181
Insurance	10,415	10,624	10,836	11,053	11,274
Repairs and maintenance	50,762	51,778	52,813	53,869	54,947
Other	28,297	28,863	29,440	30,029	30,629
Depreciation	-	-	-	-	-
Total operating expenses	1,190,113	1,224,779	1,260,465	1,297,199	1,335,015
Operating Income (loss)	\$ 91,808	\$ 119,078	\$ 138,292	\$ 150,645	\$ 163,879

0

3

**Facility master
planning**

Understanding the state of your facilities today, and where they need to be in the future to execute your organization's strategic objectives, is the next step of the process

Translation of the market strategy into future facility needs helps define what level of project will be most appropriate based on the state of the existing facilities, affordability, etc.



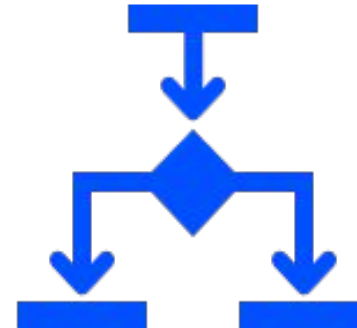
Future facility needs

- Quantifying your growth strategy in terms of visits, providers, and services helps accurately assess your current capacity to accommodate growth, and what additional facilities may be needed to execute on strategic objectives



Existing state and benchmarking

- Evaluating the existing facilities helps determine the current capacity to address future growth, and what challenges or shortcomings should be addressed in the facility project



Facility options development

- Once facility needs have been identified, facility options can be created that address priority areas under varying levels of intensity/disruption, investment, and ability to accommodate strategic objectives



Cost estimates

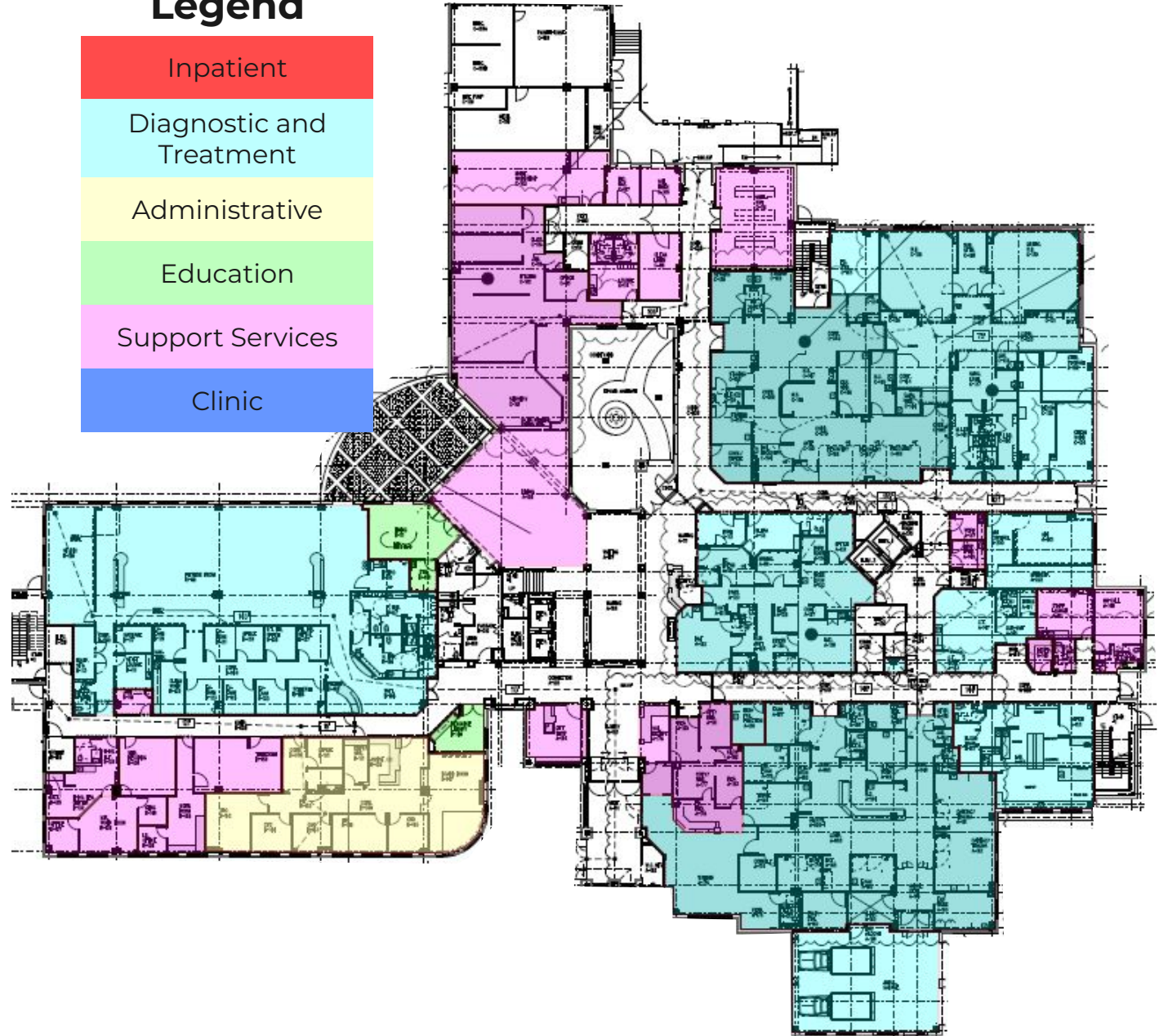
- Understanding the level of investment required for a facility project ensures the project remains financially feasible for your organization in the long-term

Existing floor plan benchmarking and zoning analysis

- Conduct on-site personal tours and interviews to understand:
 - Utilization of space
 - Departmental zoning
 - Campus flow
- Calculate departmental square footage for benchmarking against contemporary industry standards

First Floor Legend

Inpatient
Diagnostic and Treatment
Administrative
Education
Support Services
Clinic



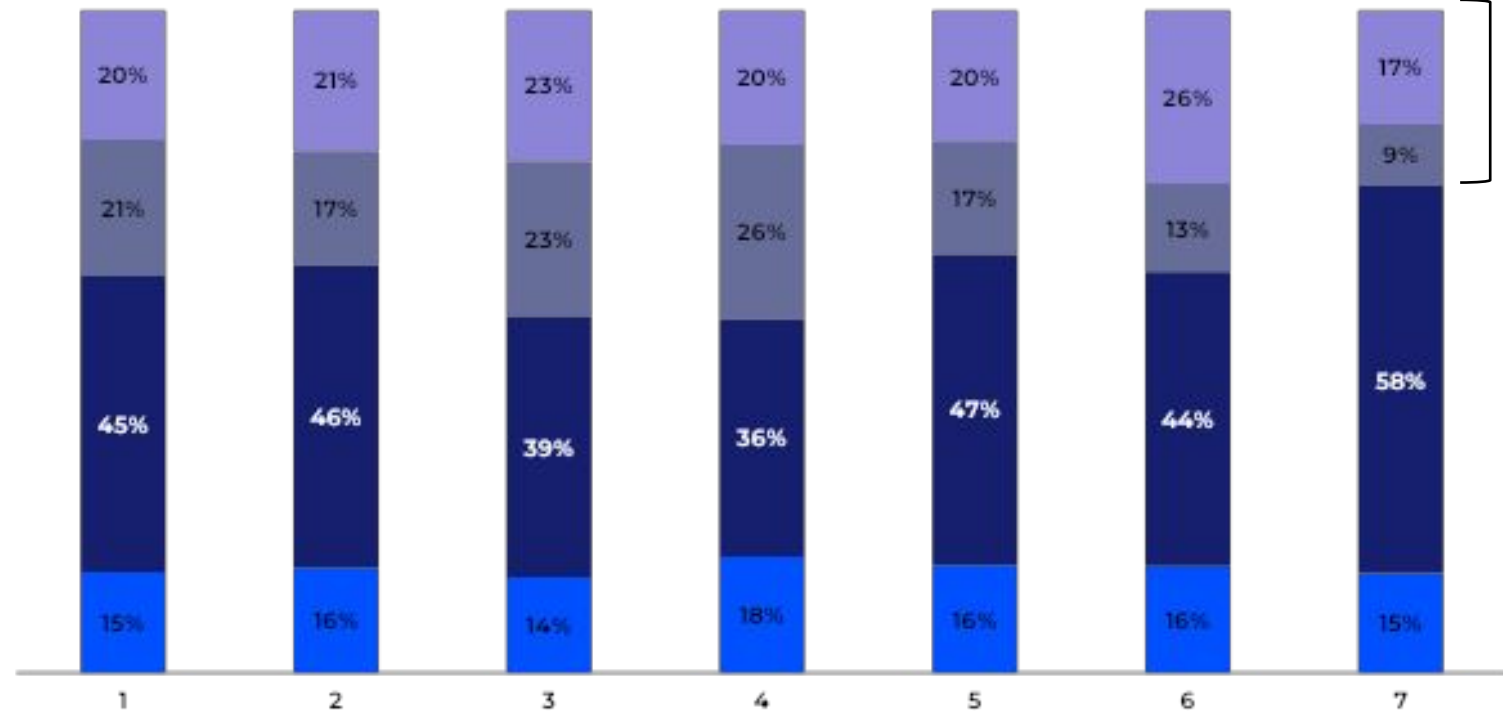
High-level space benchmarking

Identify macro-level misalignments in space needs for each major hospital function by comparing square footage to customized peer-group industry benchmarks

Square footage benchmarking analysis

Square footage distribution comparable to benchmark hospital facilities; no major space misallocations observed

■ Inpatient ■ Diagnosis and Treatment ■ Administration ■ Support



Lower allocation of space to administrative/support = more "lean" facility

Departmental square footage benchmarking against contemporary industry planning standards

Surgery

	Existing Space (NSF)	Planning Benchmark (NSF)	Variance (Existing-Standard)	% of Standard	Comments
OR 1	538	580	(42)	93%	No major complaints
OR 2	634	580	54	109%	No major complaints
Procedure Room	213	380	(167)	56%	No major complaints

Inpatient

	Available Beds	Existing Space	Existing DGSF per Bed	Benchmark DGSF per Bed	Benchmark Total Space	Total Variance	% of Standard
Inpatient (Licensed)	25	14,137	565	650	16,250	(2,113)	87%
Inpatient (Staffed)	11	9,121	829	650	7,150	1,971	128%

Emergency

Existing Treatment Room Count	Existing Department DGSF	Existing DGSF per Room	DGSF Standard per Room	DGSF per Room Variance	Total Space Required Based on Standard	Total Space Variance	% of Standard
7	5,153	736	760	(24)	5,320	(167)	97%

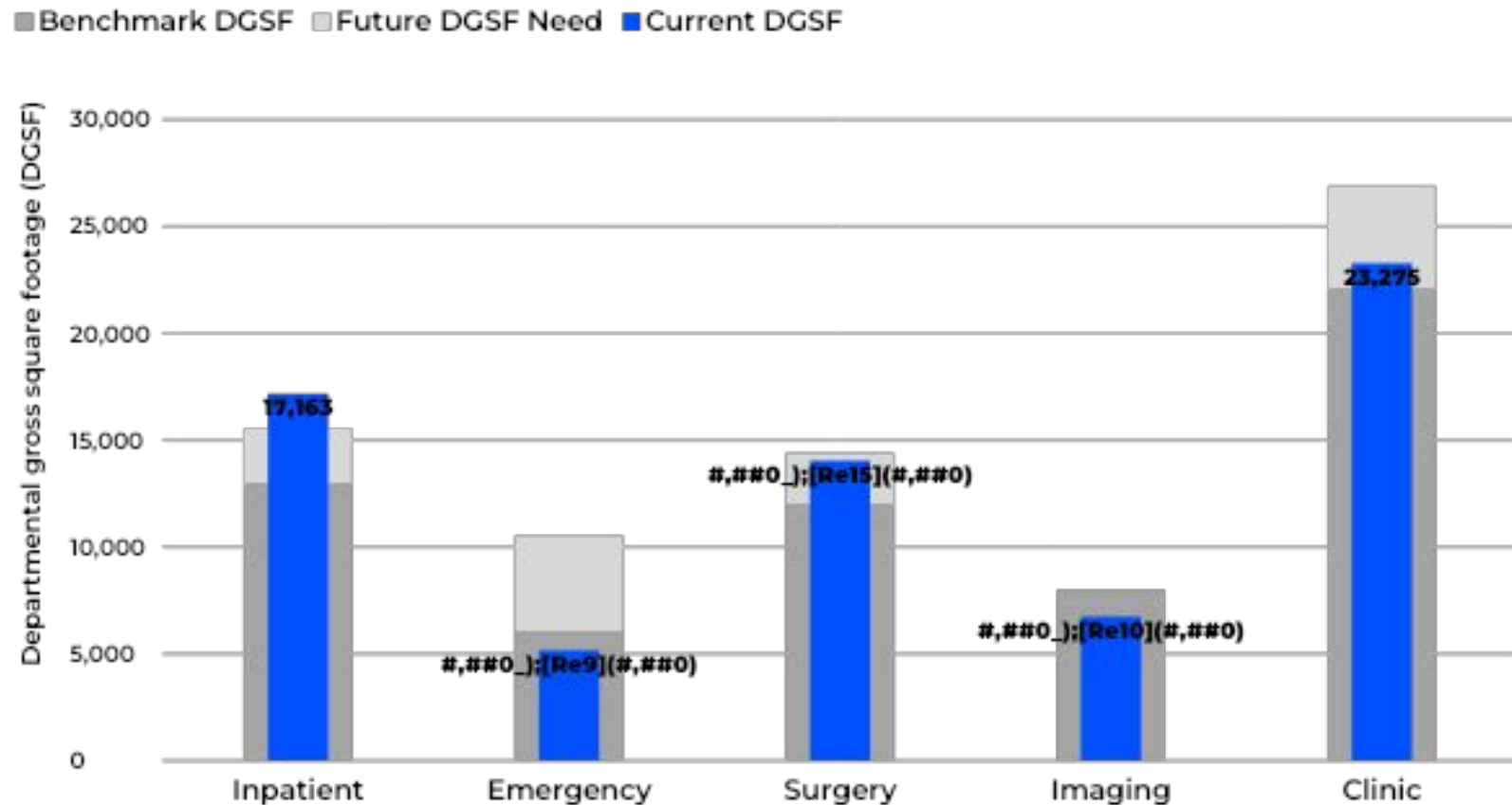
Imaging

Imaging Room Count	Existing Department DGSF	Existing DGSF per Room	DGSF Standard per Room	DGSF per Room Variance	Total Space Required Based on Standard	Total Space Variance	% of Standard
7	3,604	515	600	(85)	4,200	(596)	86%

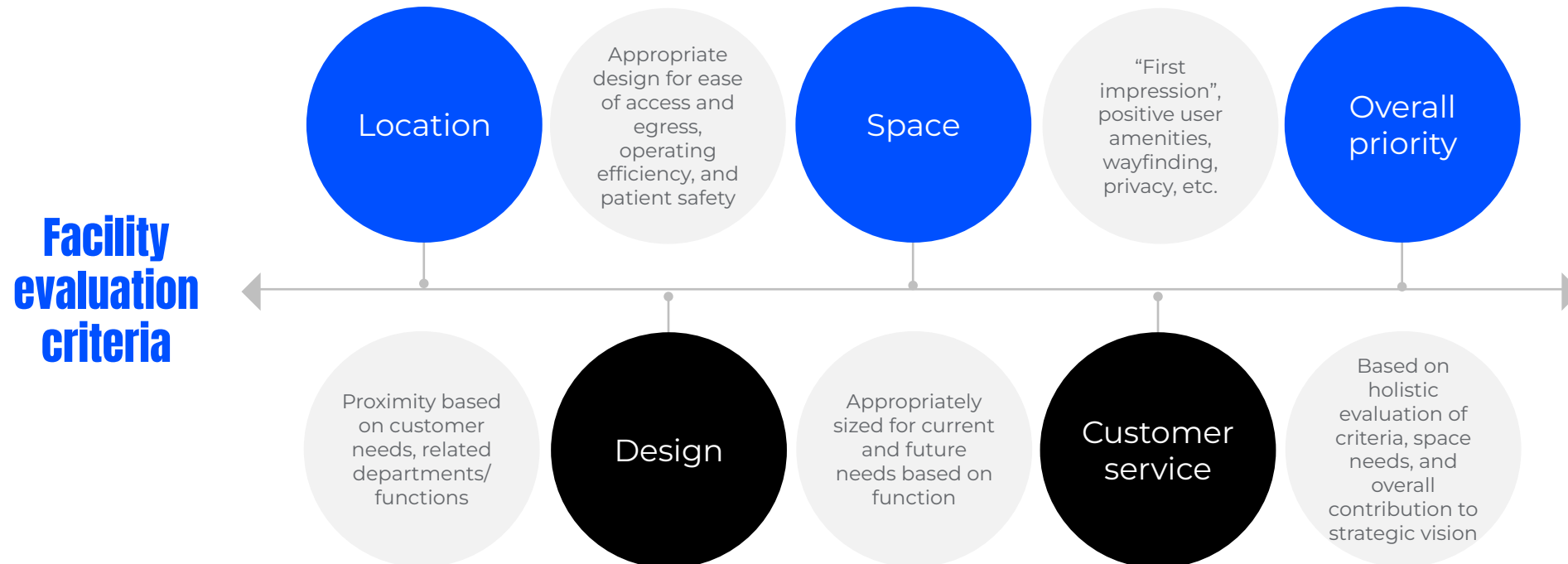
Departmental square footage benchmarking against contemporary industry planning standards

Square footage needs by department under current benchmarks and future growth strategies

Space shortages predicted for emergency, imaging, and clinic departments based on future growth strategies



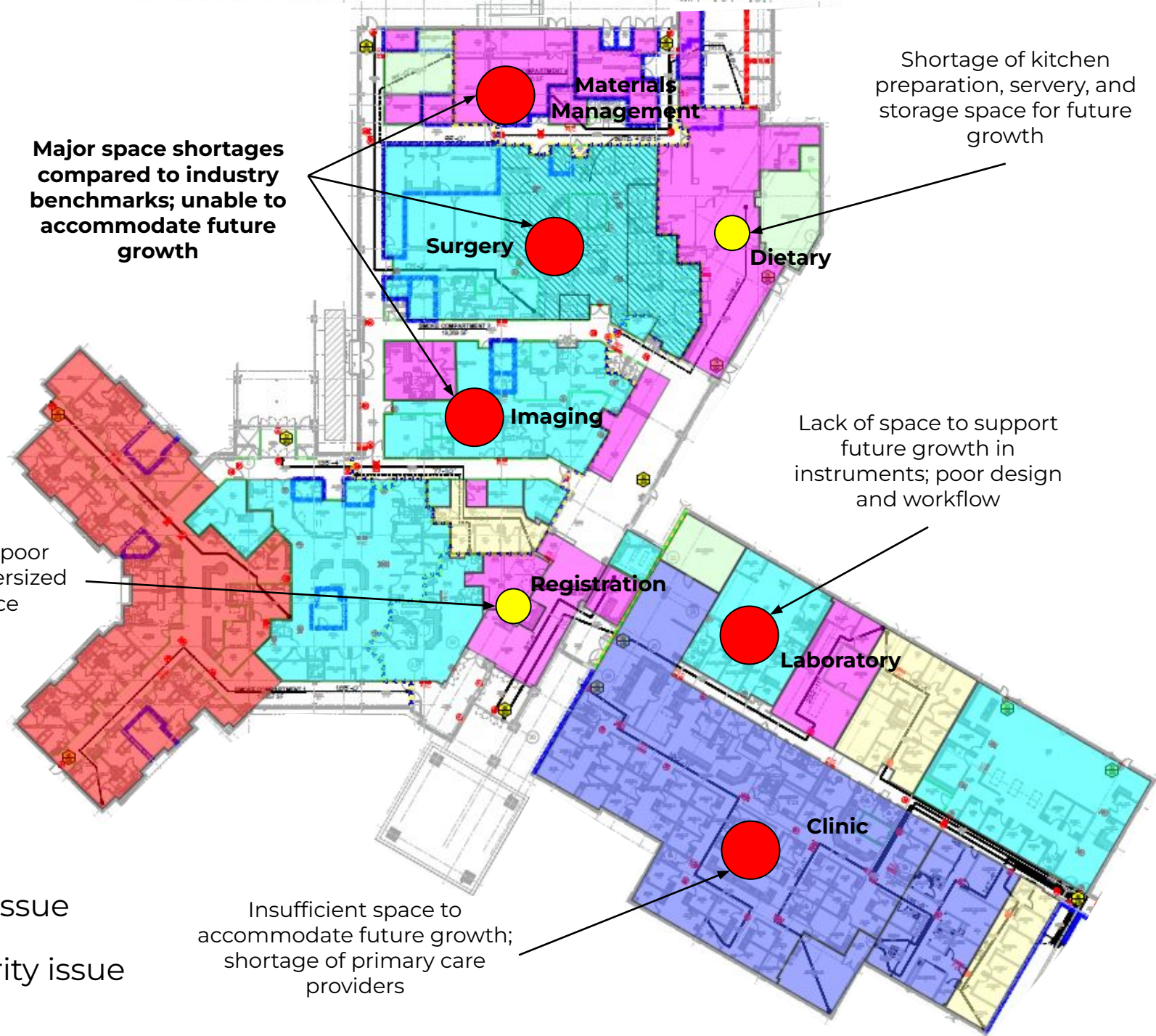
Facility evaluation criteria customized to what is important for your organization



Facility challenges are often pervasive

Departmental issues and challenges should be prioritized in alignment with your organization's overall strategic vision/areas of focus

- High priority issue
- Medium priority issue



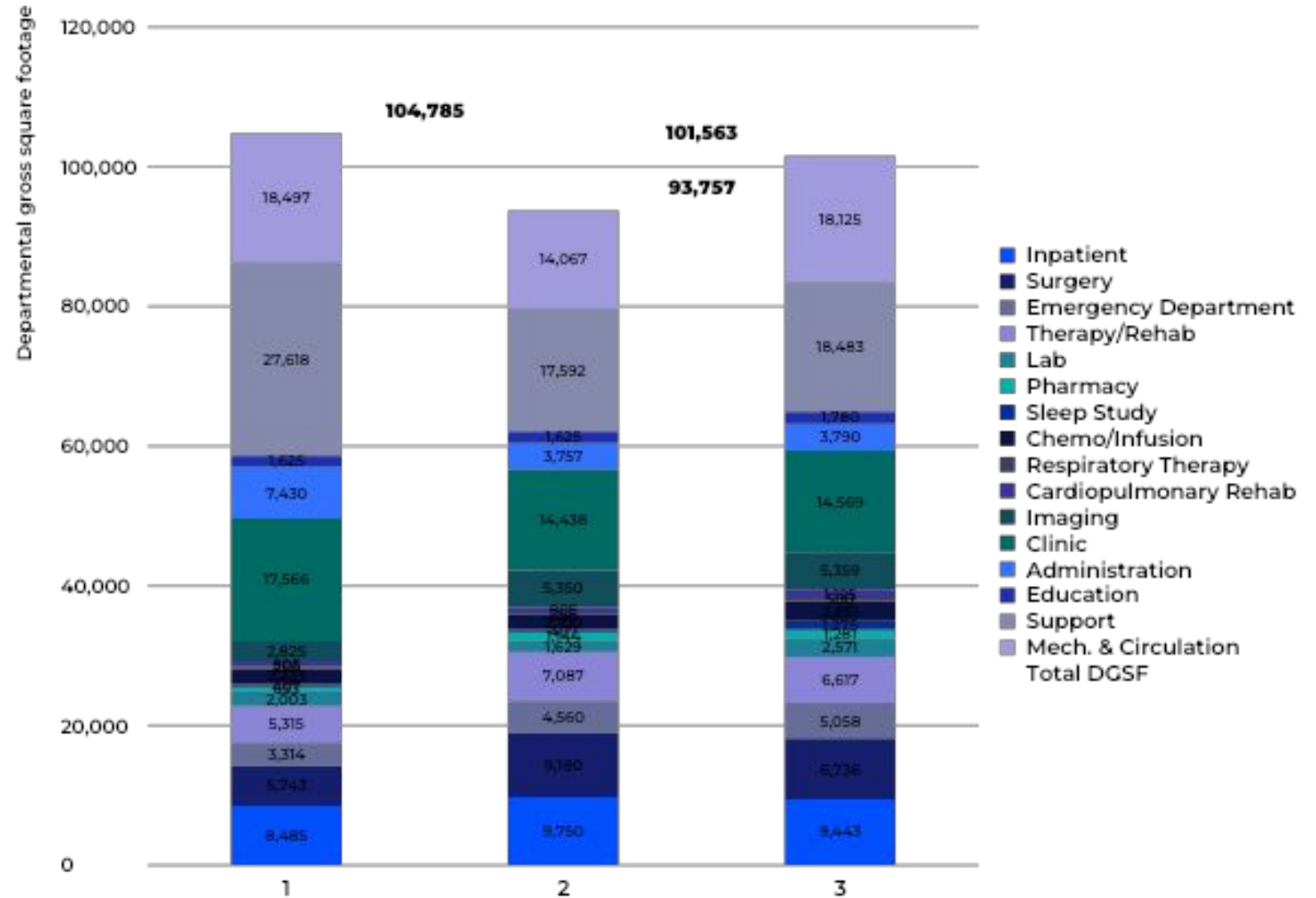
Prioritization of departmental needs

Develop priority list of areas, in alliance with the overall hospital strategy, that need to be addressed, with appropriate justification to support decision-making

Department	Floor	At Capacity?	Off-Site Potential	Location	Design	Space	Customer Service	Priority?	Comments
DIAG & TX									
Therapy/Rehab	1	Yes	Yes					Yes	Insufficient number of provider workstations and treatment rooms; insufficient space and poor work flow in gym area, which is shared with fitness and often becomes crowded; separate locations for some rehab services (ex. OT, cardiac rehab) is not ideal from an efficiency standpoint (shared registration, staff); waiting room and registrar desk is undersized; lack of storage in clean workroom and department overall; lack of certain therapy and fitness services requested by staff; use of shell space not ideal due to air quality, noise
Cardiac Rehab	2	Yes	No					Yes	Shares space with respiratory therapy in the inpatient unit today which is not ideal; no room for more than 4 concurrent patients between the two programs, frequently experience congestion
Pharmacy	2	No	No					No	Lack of dedicated space to conduct patient consultations; no longer use compounding room, hood could be removed for additional space; some medication dispensing units in other departments have poor security and safety features - new units would require additional space; location near MHC is ideal today, opportunity to better integrate into primary care with consult space in MHC
Emergency Department	1	No	No					No	Space functions well today despite some storage, design, and privacy issues; staff would prefer one room designed for behavioral health patients; design is not conducive to triage between Convenient Care and ED, which can result in patient confusion; infusions/injections take place in ED given capacity; opportunity to repurpose underutilized EMS room

Square footage needs, by department and facility option

Estimate future space needs by key department based on growth opportunities and under different potential facility options



Facility development and capital investment options



Renovations to existing building and site

- Utilize the majority of existing space
- Renovate internally
- Add “bumps” or additions to existing facility to gain additional space
- No additional land and/or site acquisition
- Attempt to minimize capital investment through use of existing space

Renovations to existing building with expanded site

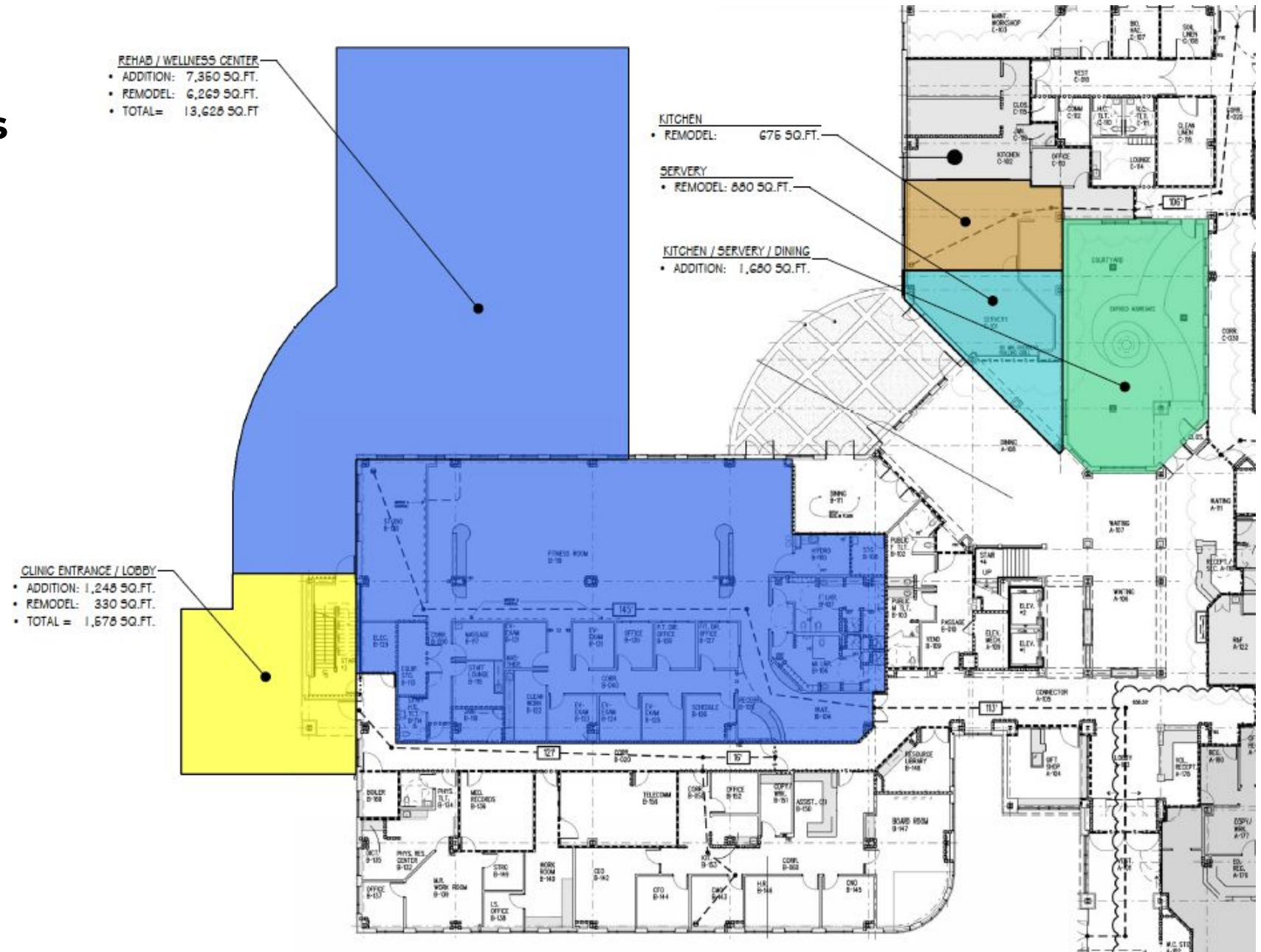
- Utilize proportion of existing facilities
- Grow site through acquisition of adjacent land or expansion on existing site
- Internal renovation for certain departments
- Replacement of outdated or high-growth departments in new space or adjacent site
- Level of capital investment can be less but highly dependent on adjacent site acquisition cost

New building on a new site

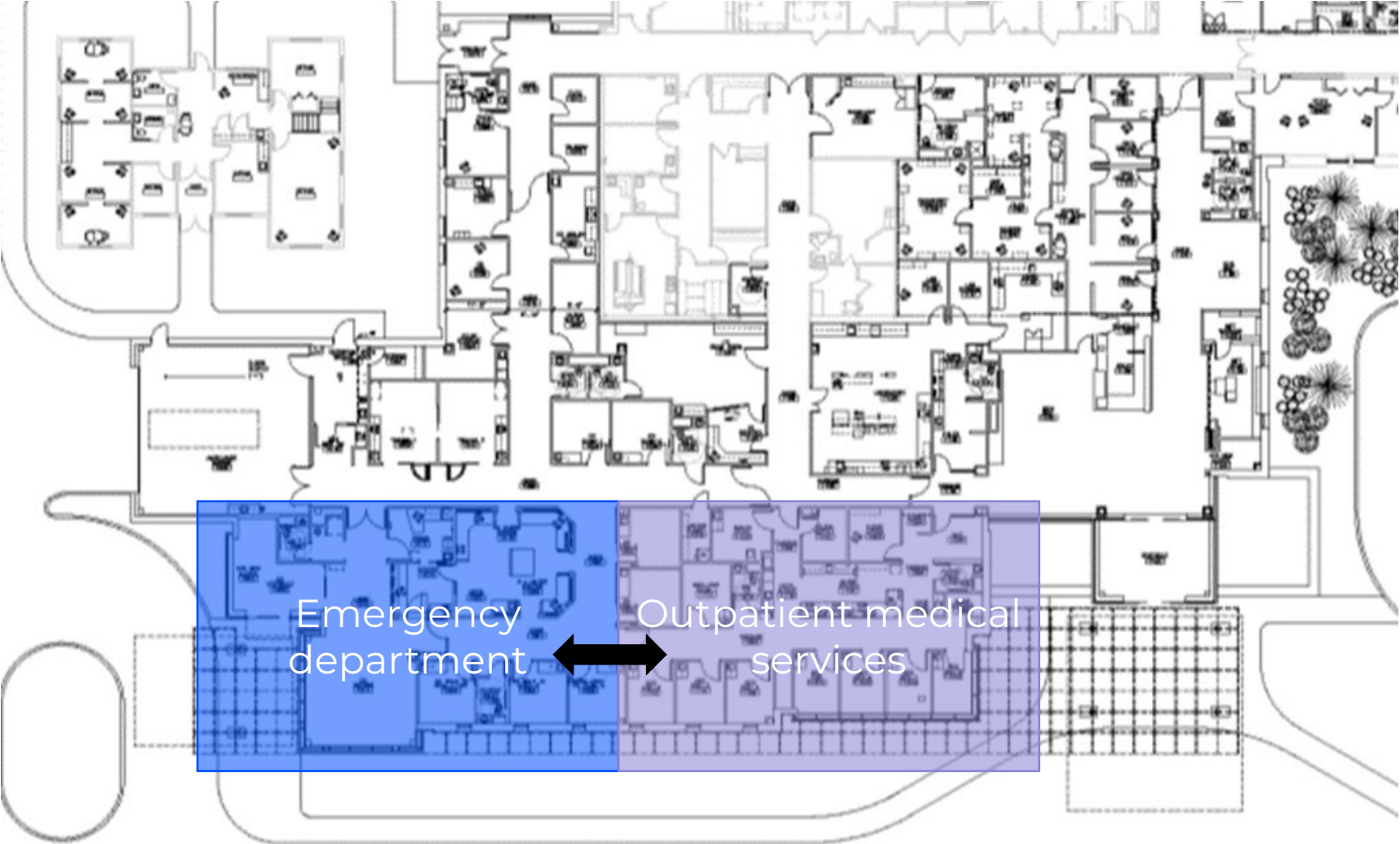
- Complete replacement of existing facilities in new space and new site
- Requires acquisition of new site (if land is not currently owned)
- Existing site and facility used for other functions or sold
- Level of capital investment can be viewed as significant in the short term

Develop facility options based on strategic priorities and affordability

- Overlay future square footage needs by department onto campus site plan to determine potential facility options
- Provide a range of options to select from based on varying levels of intensity/disruption, investment, and ability to execute on future growth strategies



Example of flexible healthcare design – dual utilization of clinical space

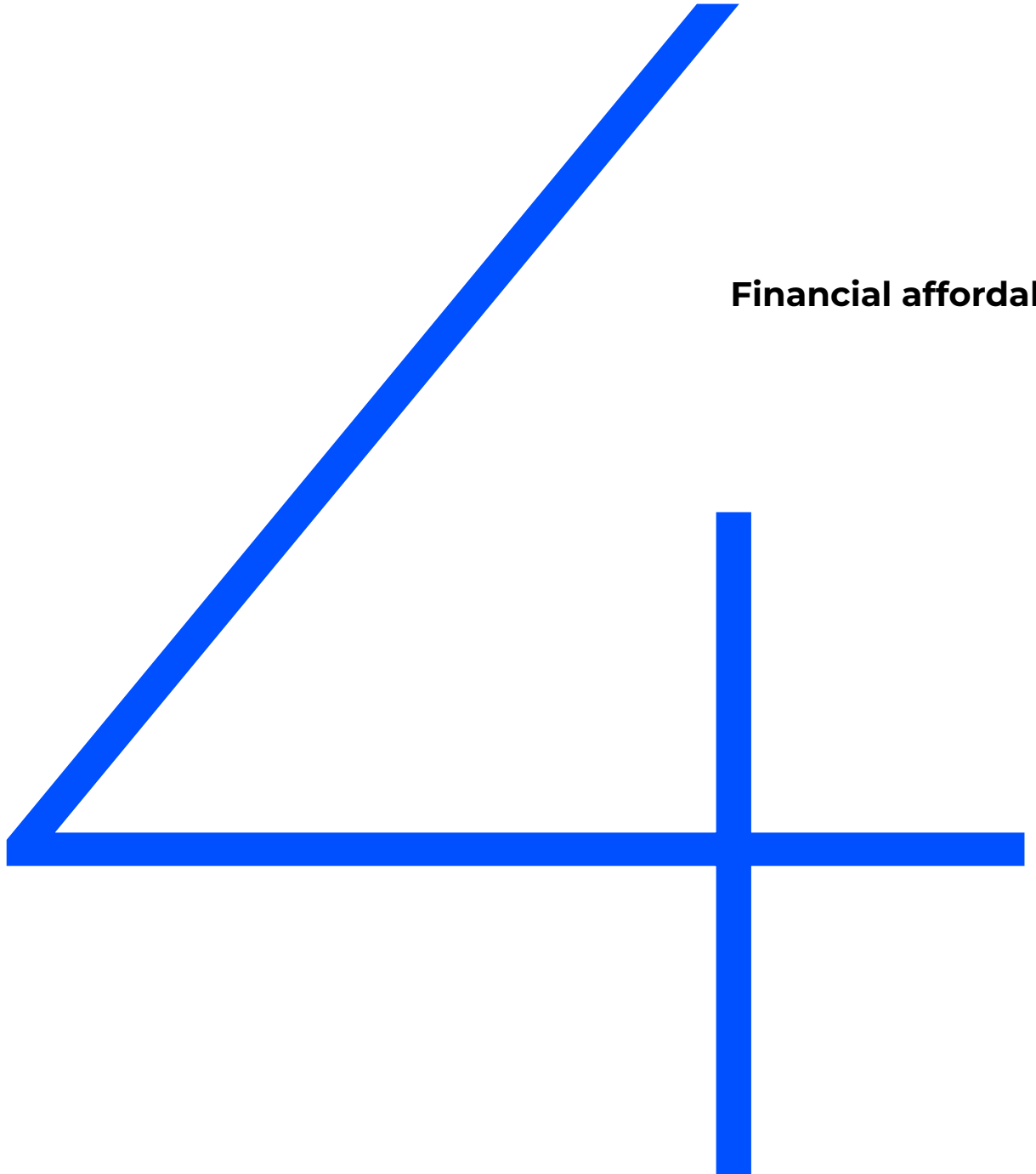
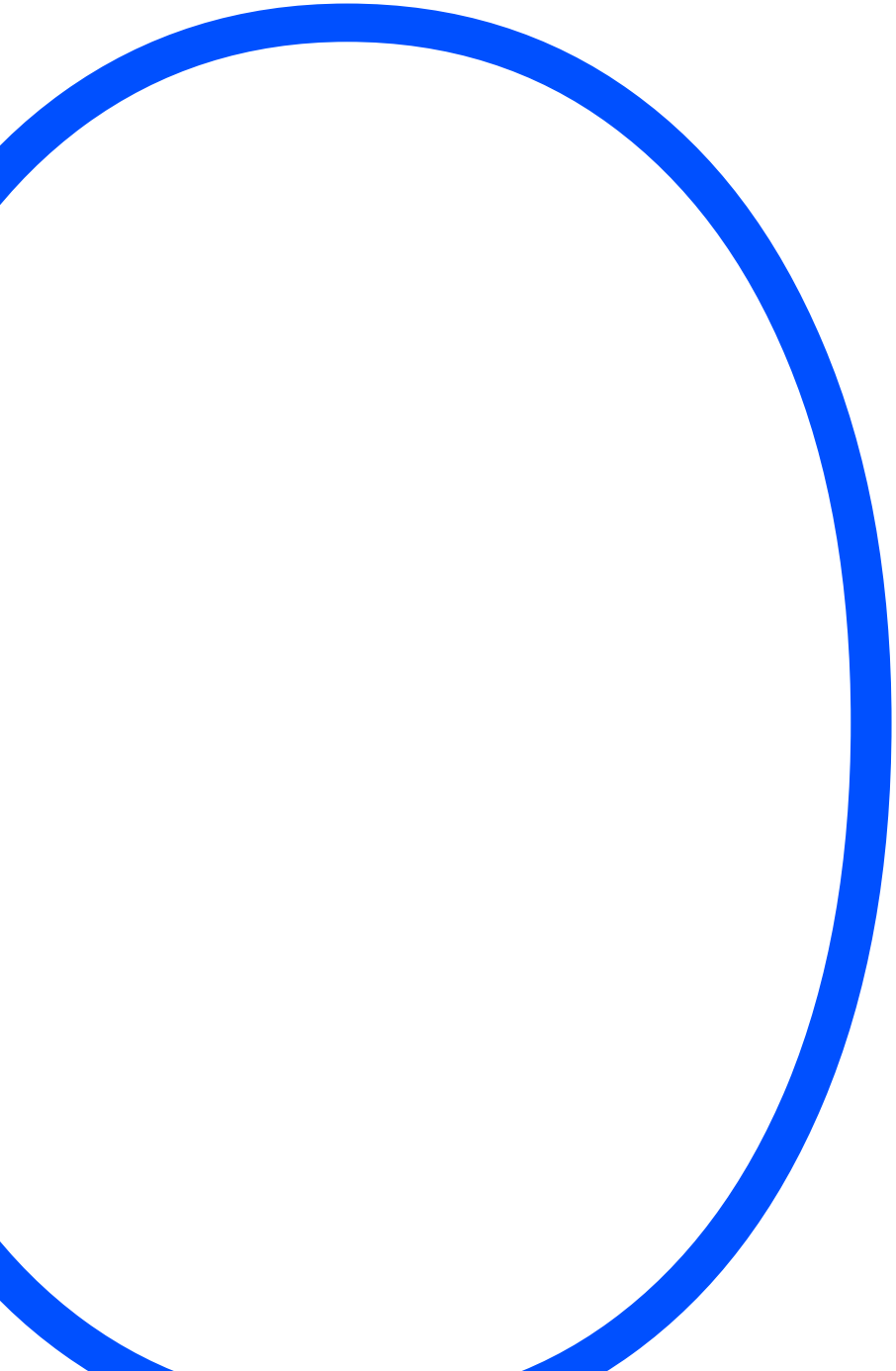


Develop high-level cost estimates for the proposed facility project to ensure affordability and feasibility

Breakdown of cost by department across varying region-specific cost scenarios, while providing opportunities to scale back for savings

	Level of construction	Cost per DGSF (low)	Cost per DGSF (high)	Total DGSF	Total construction cost (low)	Total construction cost (high)	Project factor	Total project factor cost (low)	Total project factor cost (high)	Estimated project cost (low)	Estimated project cost (high)
Option 2: Single Addition											
Dietary											
Kitchen addition*	Addition	\$285	\$305	670	\$190,950	\$204,350	35%	\$66,833	\$71,523	\$257,783	\$275,873
Kitchen remodel	Remodel	\$220	\$240	675	\$148,500	\$162,000	35%	\$51,975	\$56,700	\$200,475	\$218,700
Servery remodel	Remodel	\$220	\$240	880	\$193,600	\$211,200	35%	\$67,760	\$73,920	\$261,360	\$285,120
Dining addition*	Addition	\$285	\$305	1,200	\$342,000	\$366,000	35%	\$119,700	\$128,100	\$461,700	\$494,100
Dining remodel	Remodel	\$220	\$240	860	\$189,200	\$206,400	135%	\$255,420	\$278,640	\$444,620	\$485,040
Conference center addition*	Addition	\$285	\$305	1,077	\$306,945	\$328,485	35%	\$107,431	\$114,970	\$414,376	\$443,455
Conference center remodel	Remodel	\$220	\$240	438	\$96,360	\$105,120	35%	\$33,726	\$36,792	\$130,086	\$141,912
Rehab											
Rehab addition*	Addition	\$285	\$305	7,350	\$2,094,750	\$2,241,750	35%	\$733,163	\$784,613	\$2,827,913	\$3,026,363
Rehab remodel	Remodel	\$220	\$240	6,269	\$1,379,180	\$1,504,560	135%	\$1,861,893	\$2,031,156	\$3,241,073	\$3,535,716
Clinic											
MHC addition*	Addition	\$285	\$305	4,240	\$1,208,400	\$1,293,200	35%	\$422,940	\$452,620	\$1,631,340	\$1,745,820
MHC remodel	Remodel	\$220	\$240	4,760	\$1,047,200	\$1,142,400	35%	\$366,520	\$399,840	\$1,413,720	\$1,542,240
MHSC remodel*	Remodel	\$220	\$240	5,605	\$1,233,100	\$1,345,200	35%	\$431,585	\$470,820	\$1,664,685	\$1,816,020
Total					\$8,430,185	\$9,110,665		\$4,518,946	\$4,899,694	\$12,949,131	\$14,010,359

* D denotes departments that can be scaled back for financial savings



Financial affordability

A financial affordability analysis (or debt capacity study) is used to establish what amount of debt can be supported by an entity's operations at a given point in time

Characteristics of the analysis:

Informs board and management regarding the dollar size of project that is considered affordable by lending standards

Incorporates Medicare cost-based reimbursement for interest and depreciation for new project to accurately project affordability

Utilizes a status quo approach based on current operations, or can be customized to reflect impact of growth initiatives on affordability

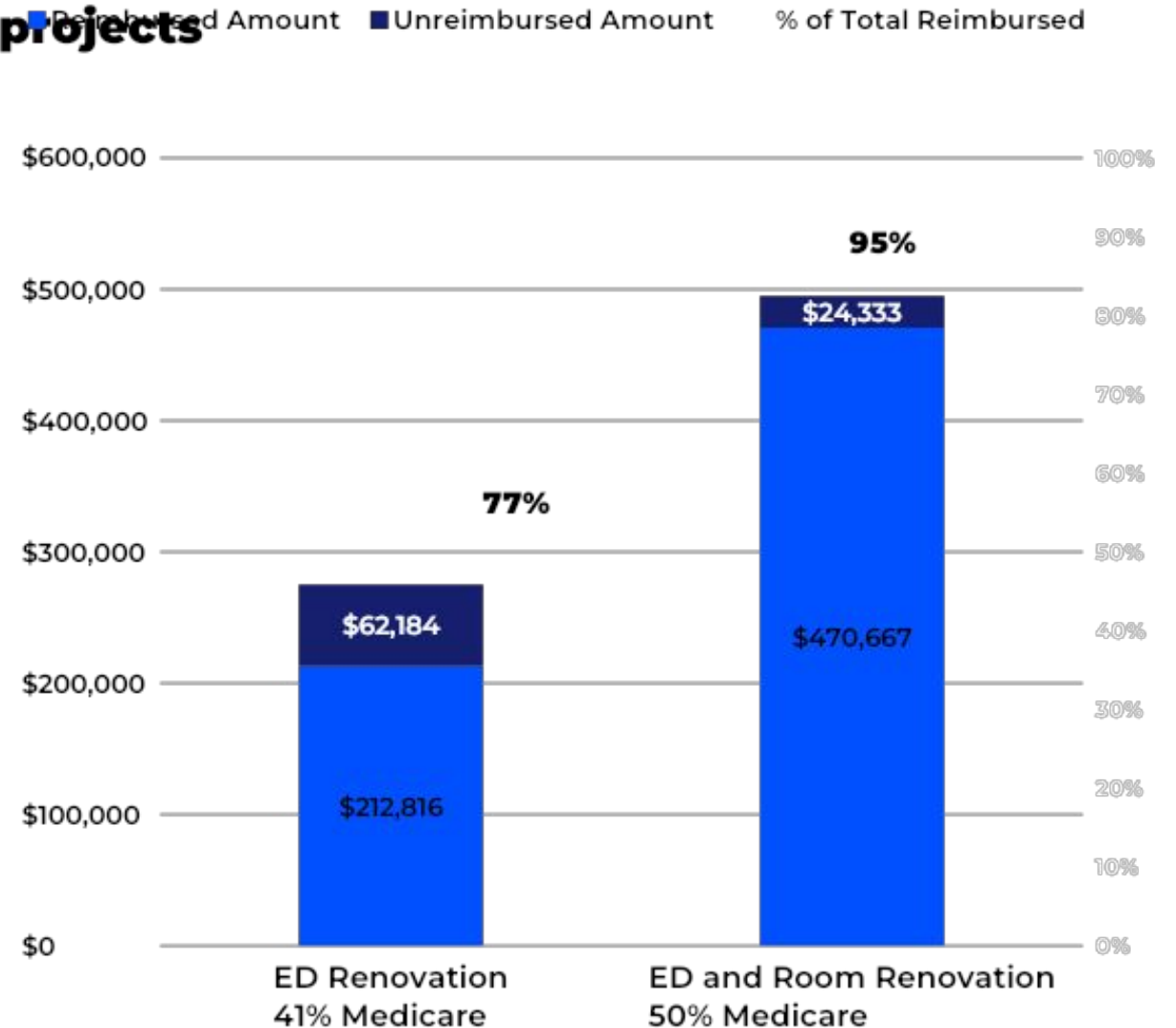
Is utilized for planning purposes only; can be utilized as a basis for financial feasibility study to support debt further in the process

Understanding the role of cost-based reimbursement on project affordability

Critical Access Hospitals can incorporate interest and depreciation into their expense structure and be reimbursed for part of the new capital project

- Depends on the percentage of patients that are Medicare, the percentage of overall space utilized by Medicare patients, and the departmental entity
 - Higher Medicare utilization = higher reimbursement
- Increases the size of the project that can be deemed financially affordable

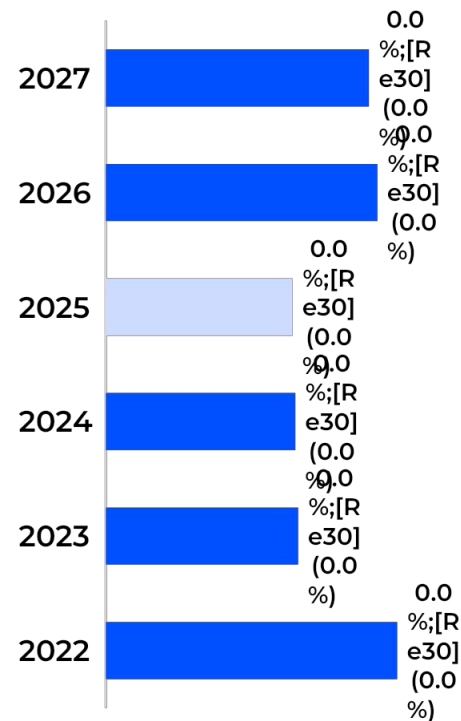
Cost report impact of example projects



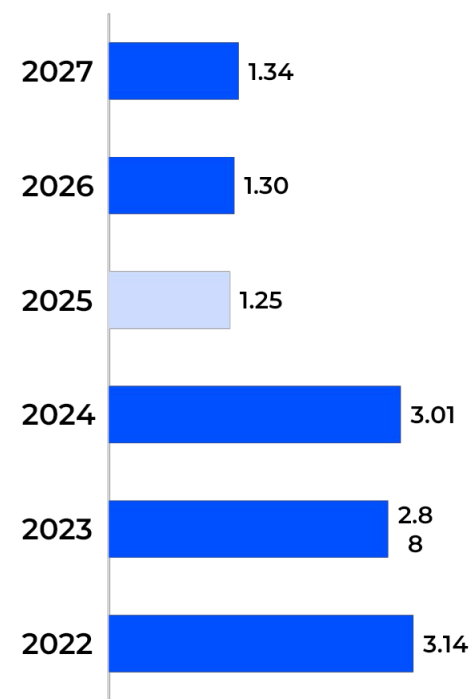
When thinking about investing in a campus or facility, financial feasibility is an essential part of the planning process

Forecast the debt capacity that can be undertaken by the entity and its impact on cash flow and key financial ratios

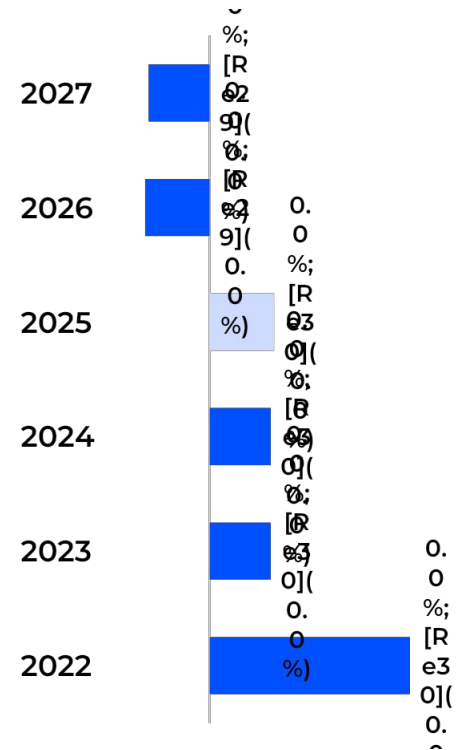
EBIDA ratio



Debt service coverage



Operating margin



Know your financing options

Consider the available forms of financing and what is right for your organization based on your project needs and financial performance

01

Wide variety of financing options available to rural hospitals

USDA Community Facilities Loan Program, the FHA 242 Mortgage Loan Program, tax-exempt/taxable bond financing, traditional bank financing, and internal financing, among others

02

Each option has its own process and requirements

Eligibility requirements, application process, debt covenant requirements, and terms of financing

03

Determining the best option for your organization

Important to model various financing scenarios to determine the best option. Consulting with a financial advisor or lender can provide insight into which options to model based on ability to meet eligibility criteria, existing debt structure, and terms

Rural Emergency Hospital overview

- To be eligible for REH status, hospitals must have 50 or fewer beds and either be in a rural area or have an active rural reclassification
- REHs are required to provide 24-hour emergency services, laboratory services, diagnostic radiological services, pharmacy or drug store area, and discharge planning by qualified professional
- REHs can also provide other outpatient services such as behavior health, radiology, and outpatient rehab. An REH may also establish a separate, distinct part unit licensed as a Skilled Nursing Facility
- REHs must meet Critical Access Hospitals CoPs for Emergency Services
- Cannot have per-patient averages exceed 24 hours (individual patient stays can exceed 24 hours)
- Can provide observation care and additional medical outpatient services
- All covered outpatient services provided by REHs will receive an additional 5% increase in payment of the standard OPPS rate that would be paid (none of this additional 5% would be charged to beneficiary coinsurance)
- In addition to the 5% increase, REHs will also receive an additional monthly facility payment from Medicare. This facility payment will increase annually by the market basket percentage which is established by CMS. The current established facility payment for **2024 will be \$276,233** per month
- A hospital that converted to an REH is able to convert back to their previous provider type as long as the conditions of participation are met (**problematic for necessary provider types**).

Rural Emergency Hospital overview

- REHs are not considered an eligible provider for 340B drug pricing
- REH-designated hospitals can no longer provide inpatient or swing-bed care and must have a transfer agreement with at least one Medicare-certified hospital designated as a Level I or Level II trauma center. (REHs can provide SNF services; however, must gain licensure and create a distinct part unit for SNF services which may have previously been done under a hospital's swing bed license.)
- With this being a brand-new provider type there are a lot of unknowns and there could be several changes to this provider type in the future periods
- Not all states have established REH rules yet regarding REH's **(15 states have legislation or bills in place)**
- Hospitals that are currently operating with an inpatient unit would have to make determinations on what to do with staff that would no longer be needed (terminations or transfers to other locations)
- Community perspective of no longer offering inpatient services and handling of employees who would no longer be needed
- REHs that would make the determination to transition back to old hospital type could have challenges filling positions

Example of high-level analysis REH conversion

Description	REH Conversion Financial Impacts
Additional REH Add-On Payment	\$ 3,270,000
5% Addition to O PPS Payments	80,000
Loss of 340B Status	(70,000)
Loss of SCH Status	(130,000)
Loss of Inpatient Revenue	(1,500,000)
Decrease of Expense Due to Closure of IP Unit (Includes Overhead, IP Unit, and Ancillary)	1,240,000
CAH Increased IP, Swing & OP Reimbursement	N/A
Estimated Medicare Advantage Plan Impact	N/A
Estimated CAH Method II Impact	N/A
Estimated 340B Impact	N/A
Estimated Illinois Medicaid CAH Add-On and Direct Payment Changes	N/A
Total Additional Income	\$ 2,890,000

What your hospital is today...



What your hospital could be . . .



For Additional Questions:

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