



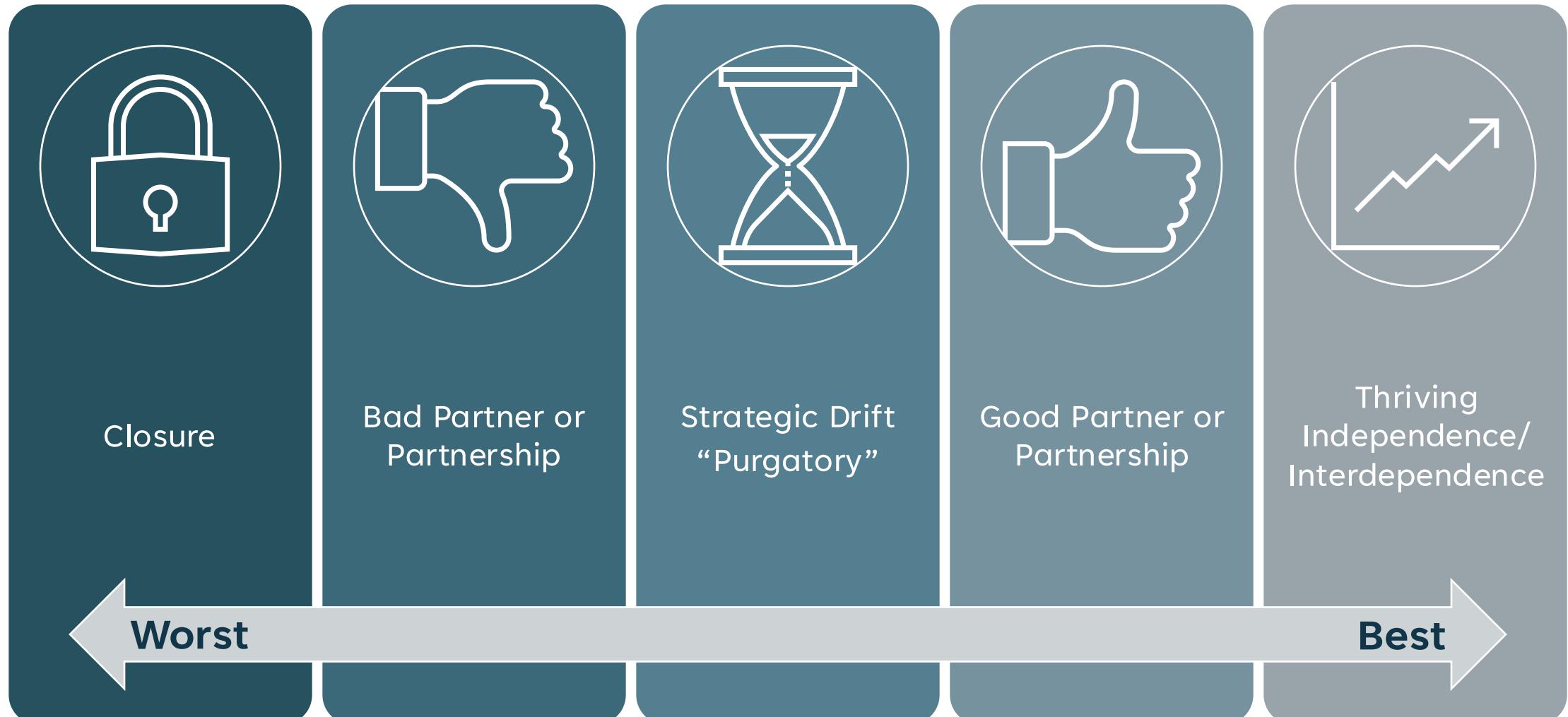
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# RURAL PARTNERSHIP INSTITUTE: KEY TAKEAWAYS

JANUARY 21, 2026

# COMMON OUTCOMES FOR RURAL HOSPITALS



# KEY TAKEAWAYS: STRATEGIC RISK

- Know your risk profile
  - Review the organization's risk trajectory annually
  - Examine 5–7-year trends for key operating, financial, market, and clinical/quality metrics
  - Evaluate these key trends and their impact on the hospital's risk profile and sustainability
- Most rural hospitals that close have a distinct trajectory and risk profile that is distinct from median open hospital characteristics
- Knowing what to look for can provide early warning – and additional time to take corrective action



# THE BEST RISK MITIGATION STRATEGY: IMPROVED PERFORMANCE

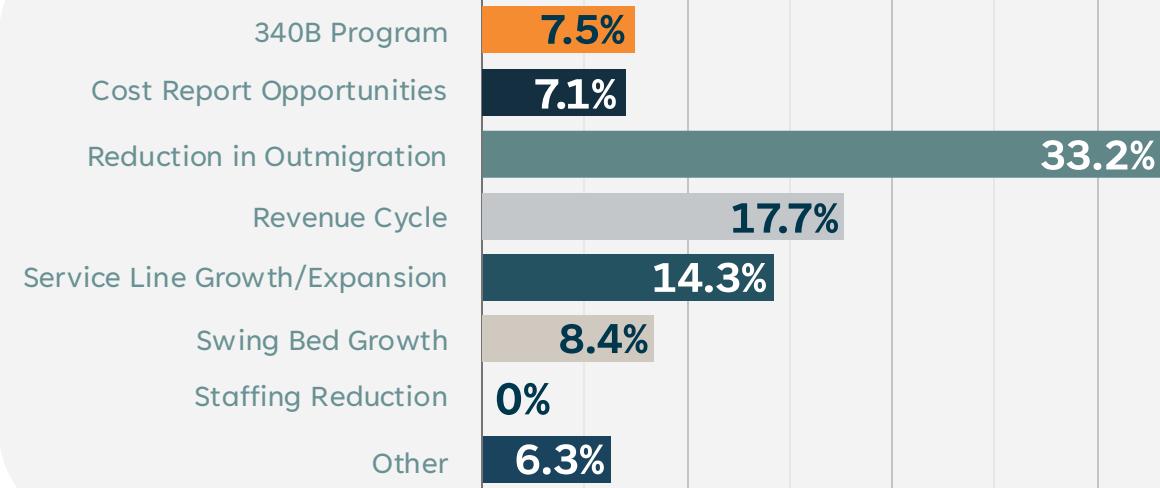
- The key risk mitigation strategy for rural hospitals – regardless of whether independent or partnering – is improved operating results
- There are time tested tools and approaches to operational performance improvement at rural hospitals
- Results from nearly 30 rural performance improvement projects led by Stroudwater over a 30-month period:
  - These engagements spanned an array of functional areas, with the average share of total improvement realized broken out as follows:

## Total Estimated Impact

25th	\$ 1,300,000
Median	\$ 1,700,919
75th	\$ 3,727,000

## Impact % of Net Pt Revenue

25th	4.1%
Median	7.8%
75th	11.1%



# KEY FINDINGS: COUNTY AND DISTRICT HOSPITALS

- Multiple layers of governance and responsibility result in blurred lines of accountability
- Public conflict dissuades talented and capable board nominees, providers, and staff
- Create a joint task force or shared venue to be a catalyst for improved communication between Boards
- Develop a common fact base that documents opportunities, needs, constraints, and risks
  - Objective facts can help displace emotion and enable folks to focus on solutions
- Delay is a decision and often the riskiest one
  - Very few organizations can afford to pursue a “status quo” option
  - Don’t wait until there is unanimous agreement before acting. Consensus within and across boards should be the goal
- Process protects people
  - Boards don’t get in trouble for bad outcomes nearly as often as they do for bad process



# RESTRUCTURING KEY TAKEAWAYS



Know your organization's risk profile



Good management alone may not save a distressed hospital



Educate your organization on available strategic options, including bankruptcy

Bankruptcy may allow a distressed hospital to shed enough debt to secure a partner



Bankruptcy is not necessarily a liquidation, but can be a mechanism to facilitate a fresh start



# WHAT DO RURAL LEADERS NEED TO KNOW?



For the 60% of rural hospitals in a partnership, most systems miss critical aspects of rural value



No one is going to stumble across your value unless you quantify it and show the path to operationalizing it



Identify win-wins with existing partners—it's about making better decisions and better allocating scarce resources



Does a partner understand your value?

- Variable vs. fixed costs
- Contribution margin vs. fully allocated costs
- Incremental cost vs. reallocated costs
- The value of incremental referrals



The Four Know/Nos:

- **Know your risk profile**
- **Know your value**
- **No one else will promote your value**
- **No risk-free options**



# THE KEY LESSONS LEARNED



OPERATIONAL  
PERFORMANCE IS  
FOUNDATIONAL  
TO ANY  
STRATEGIC  
OPTION

TIME IS NEVER  
A NEUTRAL  
FACTOR; DON'T  
KICK THE CAN  
DOWN THE  
ROAD

KNOW YOUR  
VALUE, DO THE  
HOMEWORK

THERE ARE NO  
RISK-FREE  
STRATEGIC  
OPTIONS

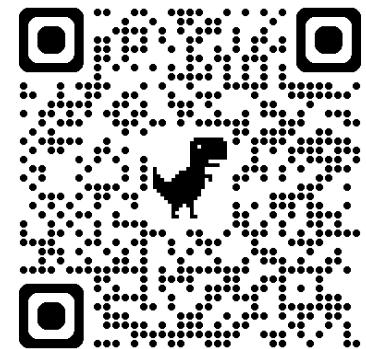
PROCESS,  
PARTNER,  
STRUCTURE,  
TERMS





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## THANK YOU



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