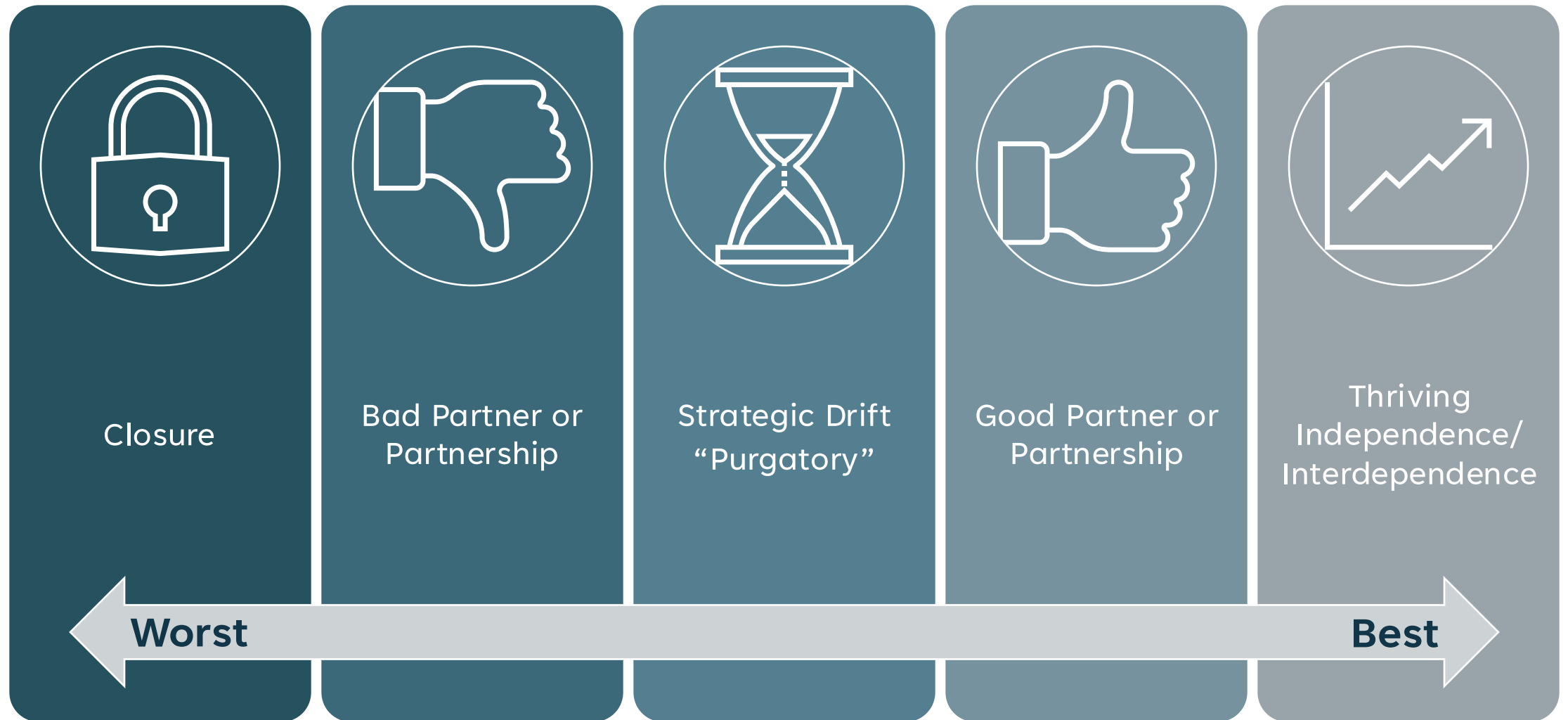




RURAL PARTNERSHIP INSTITUTE: KEY TAKEAWAYS

JANUARY 21, 2026

COMMON OUTCOMES FOR RURAL HOSPITALS



+/-90% of hospitals are within these three options



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

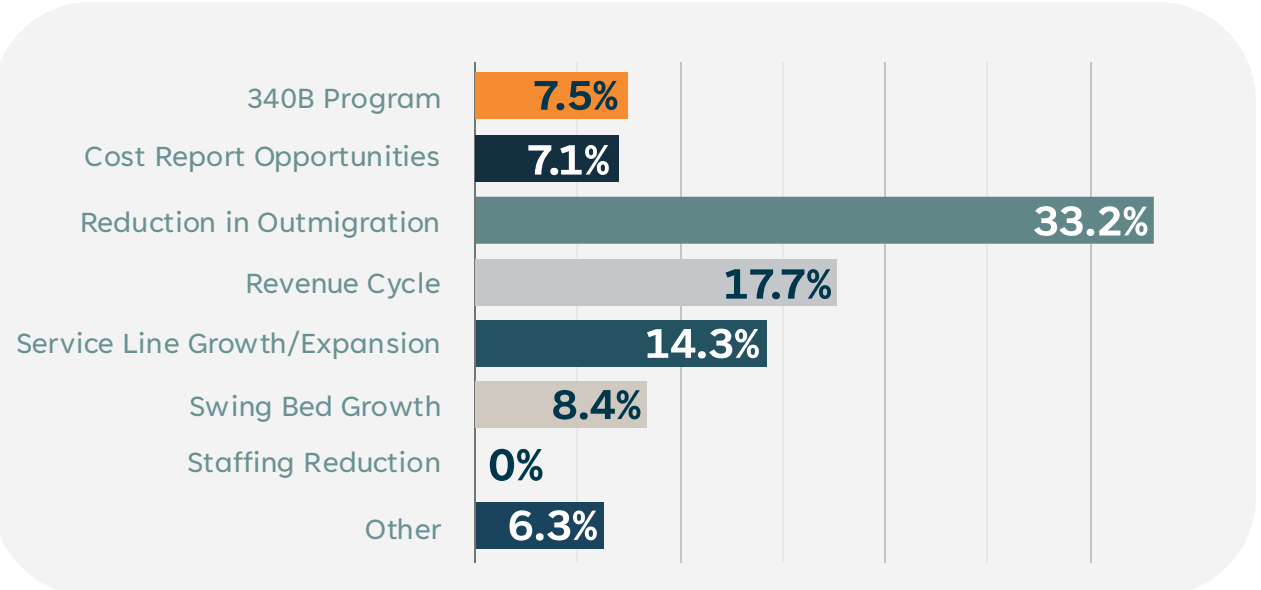


THE BEST RISK MITIGATION STRATEGY: IMPROVED PERFORMANCE

- 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



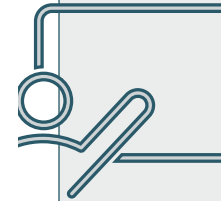
Bankruptcy is not necessarily a liquidation, but can be a mechanism to facilitate a fresh start



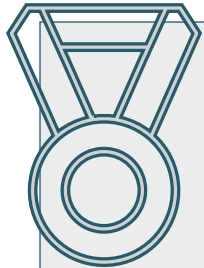
WHAT DO RURAL LEADERS NEED TO KNOW?



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**





THANK YOU



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