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Rural versus Urban Hospitals in Poland. Hospital's Financial Health Assessment

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Abstract

Literature studies suggest, that hospitals in rural areas are usually smaller and more sensitive to changes in health policies. The aim of this research is to assess and compare the financial condition of rural and urban hospitals. Basing on literature studies, we have assumed, that rural hospitals are characterized by lower profitability, higher debt and lower overall financial condition. We have proved, that rural hospital, although smaller, have lower debt ratios and better financial condition (especially in terms of profitability and liquidity). We have applied statistical tool and authorial methodology ("The M Method"), which basis on synthetic indicators of financial condition.

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1. Introduction

Rural areas, in almost all countries have, by its nature, less developed or unequally distributed health infrastructure. What's more, this infrastructure, including stationary health care, is by far the more economically sensitive. It might result in lower access to health benefits for rural inhabitants and affect the quality of medical benefits. This might be a source of inequalities in health between rural and non-rural populations (Bem & Ucieklak-Jeż, 2013), (Bem & Ucieklak-Jeż, 2014), (Bem & Ucieklak-Jeż, 2015).

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In Poland, local authorities, at the level of regions (NUTS 2) and counties (NUTS 3), are responsible for ensuring access to stationary health care, mostly through hospitals' ownership (Bem, 2013). The private sector plays only complementary role, especially in the case of hospital care. Because hospitals in Poland are, generally, still public entities, it's situation is strongly affected by, potentially difficult, financial situation of the local authorities, which is less favourable in the case of county's local authorities. That is why, they were often transformed into companies or managed by private operators. The aim of such action is to cut down the potential financial responsibility for hospital's financial condition.

Hospitals in rural areas are usually smaller and sensitive to changes in health policies (e.g. rules of financing, requirements concerning qualification of medical staff), and, at the same time, play a huge role in meeting the needs of local communities (Moscovice & Stensland, 2002), (Michalski, 2009), (Michalski, 2015), as the central part of the local health infrastructure (Kenny & Duckett, 2004), (Michalski, 2014), because their support mainly local patients (Ona & Davis, 2011).

In recent years many European countries have implemented market-driven reforms to improve the efficiency and quality of hospital services. Some of them resulted in the closure of hospitals, characterised by poorer financial performance, especially rural ones (Garcia-Lacalle & Martin, 2010), (Brozyna et al. 2016), (Michalski, 2015a), (Michalski, 2016). Such hospitals - small, rural, vulnerable financially – usually require special support, through the different rules of payment for benefits (Nedelea & Fannin, 2013), (Rosko & Mutter, 2010).

Literature studies indicate, that hospitals located in rural areas are more economically sensitive (Barnett & Barnett, 2003). Risk factors are: small size, which does not allow to exploite the economies of scale (Barnett & Barnett, 2003), (Garcia-Lacalle & Martin, 2010), (Sinay, 1998) a smaller range of benefits (McCue, 2007), (Horwitz, 2005b), (Coburn et al., 2004) low beds' utilization rate (Moscovice & Stensland, 2002), (Sinay, 1998), (Bem et al., 2014c) problems with employment of skilled medical workers (Kenny & Duckett, 2004). These risk factors are generally derived from the location in areas with lower population's density and the patients' passage from rural to urban hospitals (Moscovice & Stensland), (Sinay, 1998). It seems, that the key factor may be related to the size of the hospital. Garcia-Lacalle and Martin (2010) indicate, that rural hospitals might be as effective as urban ones if are big enough. McCue (2007) emphasize, that for-profit rural hospitals, having 100–250 beds, achieved higher profitability ratios then urban hospitals.

The most important problem, related with this research is the definition of "rurality". In practice, there are several approaches, relating to population's density (Eurostat, OECD), functions (European Commission) or territorial division (Polish Main Statistic Office) (Wilkin, 2007), (Rakowska & Wojewódzka-Wiewiórska, 2010). It is impossible to directly transmit definitions built in other countries, as we should take into account the nature of the settlement network and hospital's location.

The aim of this research is to assess and compare the financial condition of rural and urban hospitals. In order to verify the research hypotheses, we have adopted the definition of rural areas, as the areas situated outside the administrative boundaries of cities (rural municipality, rural parts of the urban-rural municipalities) (Mijal, 2012). This definition is consistent with the definition adopted by the Polish Main Statistical Office. However, even this definition cannot be directly used, because in the administrative areas recognized by the public statistics as a "rural" are very diversified (integrated rural areas, intermediate rural areas, remote rural areas) (Wilkin, 2007). According to that, data must be collected by hand.

Basing on the literature review and previous studies, we have adopted the following research hypotheses:

- *H1: rural hospitals achieve lower profitability indicators;*
- *H2: rural hospitals are more indebted than urban hospitals.*
- *H3: rural hospital's financial health assessment is worse than urban hospitals.*

H1 hypothesis assumes, that rural hospitals achieve lower indicators of profitability than hospitals located in large urban centres. This hypothesis is, however, not so obvious, even in the light of the above facts. Empiric studies prove, that profitability might be considered as an important indicator of effectiveness. Horwitz (2005) demonstrates, that for-profit hospitals are much more programmed for profitable services and more responsive to changes in cost effectiveness of provided benefits. On the other hand, public hospitals are more likely to provide less profitable services, which can be a result of a wider health policy implemented by the owner. Augurzky and Schmitz (2010)

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