

# **Financial Performance of Indiana Critical Access Hospital and Rural Hospitals Depends on System Affiliation**

Christopher Liu, Jared Perkins, and Christopher Whaley

Brown University

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## Summary

US hospitals are characterized by “haves” and “have-not” hospitals. As highlighted in previous research, this characterization extends to critical access hospitals (CAHs).<sup>1</sup> Other studies have used national data and found CAHs that were affiliated with health systems had higher financial and operating margins than independent CAHs. In this report, we examine if these differences also exist for Indiana hospitals. We particularly focus on Indiana given recent state, employer, and research concerns over hospital prices in Indiana. Based on studies showing that Indiana has among the highest hospital prices, recent Indiana legislation limits the amount large Indiana hospital systems can charge employers and insurers.

## Data and Methods

This study utilized 2016–2023 data from the National Academy for State Health Policy (NASHP), which reports hospitals’ overall operating margins and payer-specific operating margins for Medicare, Medicaid, and commercial insurance. This dataset incorporates hospital cost report data from the Center for Medicare & Medicaid Services (CMS). The Agency for Healthcare Research and Quality Compendium was used to identify hospital system affiliation. Hospital zip codes were mapped onto the 2020 United States Department of Agriculture (USDA) Rural–Urban Commuting Area (RUCA) Codes to identify rural status, which was defined by a Primary RUCA code of greater than or equal to four.<sup>2</sup> All datasets are publicly available. The sample was restricted to Indiana general medical and surgical hospitals and excluded specialty hospitals. Financial outcomes were compared by hospital type using multivariate linear regressions adjusting for bed count, Medicaid, Medicare, and commercial insurer payer mix.

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<sup>1</sup> Whaley C, Bartlett M, Bai G. Financial Performance Gaps Between Critical Access Hospitals and Other Acute Care Hospitals. *JAMA Health Forum*. 2024;5(12):e243959. doi:10.1001/jamahealthforum.2024.3959

<sup>2</sup> How We Define Rural. [www.hrsa.gov](https://www.hrsa.gov). Published September 2025. Accessed October 15, 2025. <https://www.hrsa.gov/rural-health/about-us/what-is-rural>

# Results

## Financial Performance of Indiana Critical Access Hospitals

A total of 108 Indiana hospitals were included in the analysis, tracked from 2016 to 2023, resulting in 614 total hospital-years. Of these hospital-years, 7.7% (n = 47) were from independent CAHs, 15.8% (n = 97) were from system-affiliated CAHs, 4.7% (n = 29) were from independent non-CAHs, and 71.8% (n = 441) were from system-affiliated non-CAHs.

On average, overall Indiana hospital operating margins were 17.4% (95% CI: 11.4% to 23.4%) for independent CAHs, 13.4% (95% CI: 9.3% to 17.5%) for system-affiliated CAHs, 25.8% (95% CI: 18.1% to 33.4%) for independent non-CAHs, and 22.9% (95% CI: 20.3% to 25.5%) for system-affiliated non-CAHs (Figure 1). Medicare operating margins were about 4% for CAHs (independent: 3.6%; 95% CI: 2.3% to 4.8%; system-affiliated: 4.7%; 95% CI: 3.3% to 6.1%) and negative for non-CAHs (independent: -6.0%; 95% CI: -23.9% to 11.9%; system-affiliated: -12.6%; 95% CI: -15.3% to -9.9%). Medicaid operating margins remained negative across hospitals, with margins of -42.7% in independent CAHs (95% CI: -57.2% to -28.2%), -24.9% in system-affiliated CAHs (95% CI: -36.8% to -13.0%), -16.4% in independent non-CAHs (95% CI: -45.5% to 12.6%), and -21.4% in system-affiliated non-CAHs (95% CI: -27.1% to -15.6%). Commercial operating margins, on the other hand, were positive across hospitals; 45.6% (95% CI: 38.7% to 52.5%) for independent CAHs, 52.5% (95% CI: 47.4% to 57.5%) for system affiliated CAHs, 42.4% (95% CI: 29.3% to 55.5%) for independent non-CAHs, and 52.7% (95% CI: 49.7% to 55.8%) for system-affiliated non-CAHs.

## Financial Performance of Indiana's Rural Hospitals

A total of 107 Indiana hospitals with identifiable RUCA codes were included in the analysis, culminating in 608 total hospital-years tracked between 2016-2023. Of these hospital-years, 9.1% (n = 55) were from independent rural hospitals, 31.1% (n = 189) were from system-affiliated rural hospitals, 3.5% (n = 21) were from independent non-rural hospitals, and 56.4% (n = 343) were from system-affiliated non-rural hospitals.

On average, overall operating margins were about 22% for rural hospitals (independent: 21.5%; 95% CI: 14.9% to 28.2%; system-affiliated: 22.5%; 95% CI: 18.9% to 26.1%), 17.9% for

independent non-rural hospitals (95% CI: 14.8% to 21.1%), and 20.5% for system-affiliated non-rural hospitals (95% CI: 17.8% to 23.1%). Medicare operating margins were small but positive for independent rural hospitals (2.7%; 95% CI: 0.3% to 5.1%) and negative for system-affiliated rural hospitals (-2.0%; 95% CI: -5.7% to 1.8%), independent non-rural hospitals (-5.9%; 95% CI: -30.5% to 18.6%), and system-affiliated non-rural hospitals (-14.1%; 95% CI: -16.7% to -11.4%). Medicaid operating margins were negative across hospitals, with margins of -34.3% (95% CI: -50.3% to -18.3%) in independent rural hospitals, -26.2% (95% CI: -34.2% to -18.3%) in system-affiliated rural hospitals, -29.2% (95% CI: -69.7% to 11.3%) in independent non-rural hospitals, and -19.7% (95% CI: -26.6% to -12.8%) in system-affiliated non-rural hospitals. Commercial operating margins were 48.3% (95% CI: 40.7% to 55.9%) for independent rural hospitals, 54.8% (95% CI: 51.4% to 58.1%) for system-affiliated rural hospitals, 34.7% (95% CI: 23.5% to 45.8%) for independent non-rural hospitals, and 51.3% (95% CI: 47.8% to 54.9%) for system affiliated non-rural hospitals.

## Discussion

Using cost report data on Indiana hospitals, we found substantial differences in financial performance for both CAHs and rural hospitals depending on system affiliation. Similar to the rest of the US, Independent CAHs and rural hospitals in Indiana have low overall operating margins, while system-affiliated hospitals have much higher operating margins.

This study highlights the unequal financial conditions of Indiana CAH and rural hospitals based on system affiliation. Independent Indiana CAH and rural hospitals have low, and in many cases, negative operating margins. In contrast, system affiliated CAHs and rural hospitals in Indiana average positive overall operating margins.

# Tables and Figures

Figure 1. Regression-Adjusted Overall and Payer-Specific Operating Margins for Indiana Critical Access Hospitals Between 2016–2023.

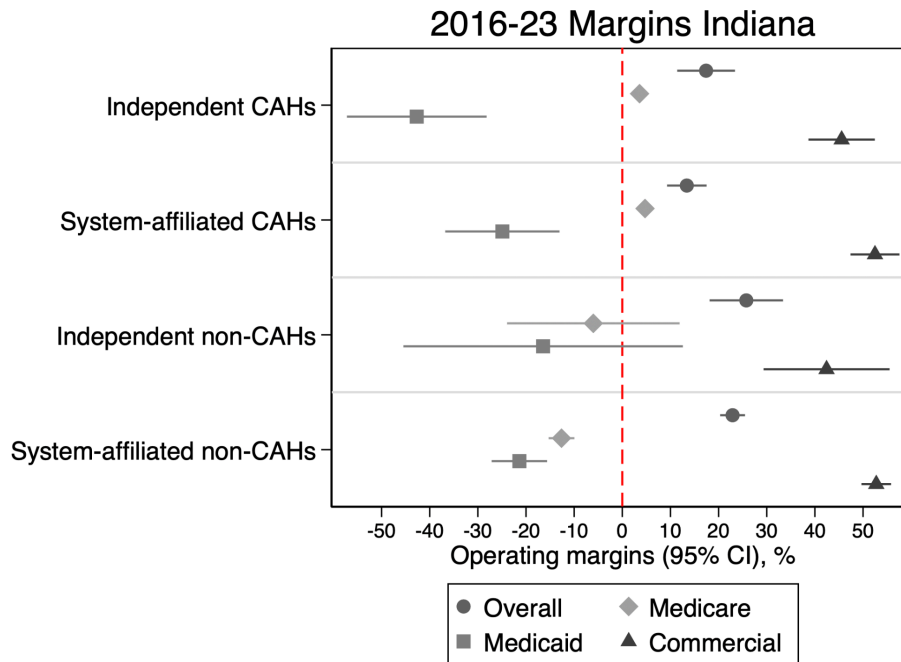


Figure 2. Regression-Adjusted Overall and Payer-Specific Operating Margins for Indiana Rural Hospitals Between 2016–2023.

