



Early results from Rural Emergency Hospital program show limited investor involvement

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Congress established the [Rural Emergency Hospital](#) (REH) designation to provide financial support for critical outpatient services at financially distressed hospitals, starting in 2023. REHs agree to close their inpatient services but maintain emergency room and observation care. In exchange, CMS pays the REHs 105% of the standard outpatient Medicare fee schedule as well as a direct facility payment ([in 2026, roughly \\$295,000 per month](#)).

This payment structure created concern that REHs could become vehicles for private investment, especially as private equity (PE) investment in [emergency services](#) and [rural hospitals](#) has grown in recent years. Additionally, [acquisitions of hospital property by real estate investment trusts \(REITs\) have been associated with increased likelihood of hospital closures](#). However, 3 years into the REH experiment, REH conversion by investor-owned hospital does not appear to be occurring at elevated rates.

The Healthcare Quality and Outcomes Lab at Harvard's T.H. Chan School of Public Health assessed the extent of private investment in all [53 operating REHs](#).¹ **Our research showed the following key findings, shown in Figure 1 below.**

1. Only 53 of the [potentially eligible 1,500+ hospitals](#) have converted to REH status.
2. Of the 53 REHs, private investors held large stakes in only 6. 2 were owned by traditional PE firms before REHs existed. [One](#) converted as part of an exit; the [other converted without being sold](#). 1 was [converted by a nonprofit owner](#) and [afterward sold to a PE buyer](#). Finally, 3 were bought as distressed assets by Progressive Health Group and then converted.² Progressive Health Group appears to be the primary active acquirer of rural hospitals with the intent of converting to REH status.

REH status appears to offer a lifeline to struggling rural hospitals. Few have closed since assuming REH status, indicating that the designation may be serving its intended purpose. In the early experience of the REH program, there are signals of private involvement in REH conversions, but further monitoring and regulatory oversight are needed to assess the consequences of investor ownership for hospitals converting to REH status.

¹ Our work found 2 operating REHs not listed at this source, making 53 compared to the source's 51.

² Progressive is a small buyout firm focused on rural hospitals. They have acquired [Trace Regional Hospital](#) in Mississippi, [Helena Regional Medical Center](#) in Arkansas, and [Panola Medical Center](#) in Mississippi (Helena and Panola have since been sold to new owners).



Figure 1: Hospitals Eligible for Rural Emergency Hospital Conversion

1,754 eligible acute care hospitals (either Critical Access Hospitals or rural with <50 beds) appear in the AHA Annual Survey between 2021-2024 and are considered eligible

