



The Hospital + Healthsystem  
Association of Pennsylvania

*Leading for Better Health*

June 28, 2024

Honorable Members  
Pennsylvania House of Representatives  
Main Capitol Building  
Harrisburg, PA 17120-2023

Dear Representatives:

Now is not the time to implement new state government mandates that impede the delivery of health care in Pennsylvania and hinder the very tools that keep health care in communities. HAP and the hospital community are committed to ensuring access to high-quality patient care in every community across the commonwealth. The biggest threat to this goal is financial viability.

This week, the Pennsylvania Health Care Cost Containment Council (PHC4) released its fiscal year (FY) 2023 financial analysis for general acute care hospitals. This objective, nonpartisan organization's data paints the most dire picture of Pennsylvania hospital stability in recent memory. PHC4's data reveals:

- **More than half of Pennsylvania general acute care hospitals are operating in the red**, an increase of nearly a third from 39 percent in FY 2022. Another 15 percent posted an operating margin of less than 4 percent, which is not sustainable long-term.
- **Hospitals face multi-year losses.** The statewide average operating margin—2.26 percent for FY 2023—was cut in half for the second consecutive year. The share of hospitals that lost money over three years increased to 33 percent for FY 2021–2023 from 27 percent for FY 2020–2022.
- **Hospitals that receive more than half their patient revenue from Medicare and Medicaid are more than twice as likely to operate at a loss.** Among hospitals with negative operating margins, 81 percent relied on government payors for at least half their patient revenue, compared to 41 percent of those positive margins.

**Please vote against** measures that create new state government mandates on hospital operations, which divert focus from patient care and drive-up health care costs, feeding the spiral of instability. HAP strongly opposes **House Bill 2344 and House Bill 2339**, which impose burdensome and duplicative requirements related to health care mergers and acquisitions and pricing transparency.

Joining, merging, or partnering with health systems are among many strategies hospitals have deployed to secure the future of care in their communities. HAP's analysis found that 40 percent of the Pennsylvania hospital mergers and acquisitions over the past decade involved a financially distressed hospital, most of which (80%) continue to serve their communities today.

The Pennsylvania Office of Attorney General already has authority over transactions involving non-profit health care entities, which includes more than 93 percent of the commonwealth's general acute care hospitals. Corporate transactions between hospital—regardless of whether the entities are nonprofit—also undergo rigorous review by the U.S. Department of Justice and the Federal Trade Commission. Health care entities must comply with substantial mandates required by the Sherman Act, the Clayton Act, and the Hart-Scott-Rodino Act, among others.

Likewise, there is already a significant government framework in place to ensure pricing transparency in health care. The Hospital Price Transparency Rule, the Health Insurer Transparency in Coverage Rule, and the No Surprises Act each mandate methods for providing patients with useful and understandable price-related information prior to treatment. The No Surprises Act also includes hospital compliance requirements and protects patients from balance billing. Hospitals are working hard to expand or adjust their machine-readable files to comply with the new CMS template, data specifications, and data dictionary that will take effect July 1.

There are already numerous resources for hospital price transparency, including hospitals' online patient cost estimators and machine-readable files; health insurers' online cost estimators, advanced explanations of benefits and machine-readable files; and provider-created good faith estimates. Unfortunately, these resources may be calculated in different ways and generate different responses. More, uncoordinated mandates have the potential to exacerbate patients' confusion and providers' administrative burden without any meaningful benefit.

Rather than impose new mandates in areas that are already highly regulated, we urge state policymakers to work together to productively address the underlying causes of hospital financial instability, including persistent underpayment across payers, outdated regulations that drive administrative burden and cost, and continuum-wide workforce shortages. We stand ready to work with you on these challenges.

Thank you for your time and consideration. If you have any questions, please do not hesitate to contact me at (717) 561-5314 or [nstallings@haponline.org](mailto:nstallings@haponline.org); or Heather Tyler, HAP's vice present, state legislative advocacy, at (717) 433-1997 or [htyler@haponline.org](mailto:htyler@haponline.org).

Sincerely,

Nicole Stallings  
President and Chief Executive Officer

# In the News: PHC4 Hospital Financial Report

## **More than half of Pennsylvania hospitals operating in the red**

*Pittsburgh Business Times* | June 27, 2024

More than half of Pennsylvania's hospitals had negative operating margins in 2023 as the state's health care system finances continued to decline...

Story link: <https://www.bizjournals.com/pittsburgh/news/2024/06/27/pennsylvania-hospitals-operating-in-the-red.html>

## **Report finds 21 Philadelphia-area hospitals lost money in 2023, posing 'significant threat' to health care**

*Philadelphia Business Journal* | June 27, 2024

More than half of the Philadelphia region's 37 general acute care hospitals finished fiscal 2023 in the red...

Story link: <https://www.bizjournals.com/philadelphia/news/2024/06/27/phc4-hospitals-philadelphia-suburbs-profit-loss.html>

## **PHC4: More than half of state's hospitals operating in the red**

*Central Penn Business Journal* | June 27, 2024

A Pennsylvania Health Care Cost Containment Council (PHC4) report shows more than half of the state's general acute care hospitals posted a negative operating margin in fiscal year 2023...

Story link: <https://www.cpbj.com/phc4-more-than-half-of-states-hospitals-operating-in-the-red/>

PHC4 news release link: <https://www.phc4.org/news-and-press-releases/financial-analysis-fiscal-year-2023/>

## **PHC4's Financial Analysis Shows Decline in Statewide Average Operating Margins and Total Margins for Pennsylvania GAC Hospitals**

### **News for Immediate Release**

**June 27, 2024**

**Harrisburg** – PHC4 released a report today that presents a financial profile of Pennsylvania's general acute care (GAC) hospitals. *Financial Analysis, Volume One*, is the first in a three-part series of financial reports produced annually by PHC4.

*Volume One* provides insight into information surrounding uncompensated care, net patient revenue, operating margin, and total margin for the 156 licensed GAC hospitals that operated in some portion of Fiscal Year 2023 (FY23). Barry D. Buckingham, PHC4's Executive Director said, "We know our stakeholders rely on having these high-quality, fact-based reports to evaluate the financial health of Pennsylvania's care delivery systems. As a part of our mission, we look forward to continuing to produce this much needed reporting."

*Volume One* shows that 51% of Pennsylvania's GAC hospitals posted a negative operating margin in FY23. It also reports that 15% of GAC hospitals posted an operating margin between 0% and 4%, while the remaining 34% posted an operating margin higher than 4%. As a result, the statewide average operating margin decreased 2.11 percentage points from 4.37% in FY22 to 2.26% in FY23.

*Volume One* also reports that 46% of Pennsylvania's GAC hospitals posted a negative total margin. There were 14% that posted a total margin between 0% and 4%, with the remaining 40% posting a total margin higher than 4%. Due to these factors the statewide total margin realized by hospitals decreased 0.86 percentage points, from 4.30% in FY22 to 3.44% in FY23.

PHC4 has produced a series of reports measuring the financial condition and utilization of the Commonwealth's hospitals since 1989. This report, like all PHC4 reporting, is intended to provide stakeholders with fact-based information to prioritize resources and make informed decisions. PHC4 invites all those interested to review these reports, which are available now at [phc4.org](http://phc4.org).

PHC4 is an independent council formed under Pennsylvania statute (Act 89 of 1986, as amended by Act 15 of 2020) in order to address rapidly growing health care costs. PHC4 continues to produce comparative information about the most efficient and effective health care to individual consumers and group purchasers of health services. In addition, PHC4 produces information used to identify opportunities to contain costs and improve the quality of care delivered.

For more information, visit [phc4.org](http://phc4.org) or view the report [here](#).

### **Media contact:**

Barry D. Buckingham, Executive Director, PHC4

**[bbuckingham@phc4.org](mailto:bbuckingham@phc4.org)**