



The Hospital + Healthsystem
Association of Pennsylvania

The Honorable Dave McCormick
United States Senate
702 Hart Senate Office Building
Washington, DC 20510

The Honorable John Fetterman
United States Senate
142 Russell Senate Office Building
Washington, DC 20510

Dear Senators McCormick and Fetterman,

On behalf of more than 235 hospitals and health systems in Pennsylvania that care for every Pennsylvanian, every day, we urge you to oppose policies in the 2026 budget reconciliation legislation that would accelerate hospital instability in Pennsylvania and put communities' vitality at risk.

Health care deserts quickly turn into economic deserts. Supporting one in every nine Pennsylvania jobs, hospitals are often the top employers in their communities. We know that businesses invest in communities where a robust infrastructure exists, including access to health care. This is especially true in rural communities, where hospitals are economic anchors and provide essential health care services that make communities livable and competitive.

While we acknowledge that the current structure of Medicaid is not perfect, it is a structure that providers have built services on and around. This structure, combined with the current instability of health care requires careful and long-term structural changes to build a stronger health care community. Wholesale and sudden changes could have devastating effects on hospitals and, in turn, communities.

The future of Pennsylvania's hospitals and access to care in the commonwealth are at a crossroads. More than half of our acute care hospitals are operating in the red and another 15 percent operate with margins less than what is considered sustainable long-term. A third had negative three-year margins for fiscal years 2021–2023. Rural hospitals in particular face unique financial challenges because they serve fewer patients and care for communities that are disproportionately dependent on Medicare and Medicaid; yet they still have the high fixed costs of operating a hospital.

Policies being considered for the budget reconciliation package will have a dramatic impact on access to care in the commonwealth. Hospitals are already facing a perfect storm of financial pressures: Persistent cost growth, inadequate reimbursement, and shifting care patterns driven by both policy changes and an older, sicker population with more complex, chronic conditions. Hospitals are struggling to maintain access to essential services amid workforce shortages, supply chain disruptions, tariffs, and policy decisions that often fail to reflect on-the-ground realities.



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Freezing or reducing state-directed payments and provider taxes further cement these structural funding issues within health care. Proposals to alter these programs ignore circumstances that drive increased health care costs. Pennsylvania hospitals are reimbursed, on average, 82 cents for each dollar they spend providing care to patients covered by Medicaid—74 cents in rural communities. Without provider taxes and state-directed payments, that amount drops to 53 cents. This will affect coverage for your constituents and further strain hospitals that are already at their breaking point.

Your constituents rely on the care hospitals provide, not just for acute care and emergency departments, but also primary, pediatric, and maternal health care. Reducing coverage and cutting Medicaid will accelerate hospitals down the path of service cuts, and at worst, closure. This is the case statewide but especially in many rural communities where hospitals are already at risk.

We urge you to support strong communities and strong hospitals by opposing cuts to Medicaid.

Sincerely,

Nicole Stallings
President & CEO