



The Hospital + Healthsystem
Association of Pennsylvania

Leading for Better Health

February 18, 2025

Members of the Pennsylvania Congressional Delegation:

In the coming weeks, Congress will make policy decisions that will have a dramatic impact on Pennsylvanians' access to health care. The outcome of budget reconciliation proposals will affect the ability of rural hospitals to stay open, the future of programs that protect safety-net hospitals, and whether hospitals throughout the commonwealth have the resources they need to deliver the care that Pennsylvanians rely on.

More than half of all acute care hospitals in Pennsylvania are operating at a loss. Dozens more are barely above break-even. You will have the opportunity to either secure health care in Pennsylvania communities or deliver another cut that would devastate access.

On behalf of more than 235 hospitals and health systems serving millions of Pennsylvanians, please reject budget and reconciliation proposals that threaten health care coverage and drastically reduce funding that hospitals rely on to care for their communities and—in many cases—remain viable.

Protect 3 Million Pennsylvanians Who Rely on Medicaid Coverage: Oppose Cuts for Seniors, Children, and Others

Medicaid is vital to Pennsylvanians' access to care. The facts:

- Almost 3 million Pennsylvanians—23 percent of the state's population—were enrolled in Medicaid as of October 2024.
- Nearly 27 percent of people living in rural Pennsylvania counties are enrolled in Medicaid.
- More than a third of all Pennsylvania children are enrolled in Medicaid.
- 35 percent of all births in Pennsylvania are covered by Medicaid.

Medicaid does not cover the cost of providing care. Cutting Medicaid and coverage options would further exacerbate this problem. Pennsylvania hospitals receive 82 cents for every dollar it costs to care for each patient covered by Medicaid. Rural hospitals are even more disadvantaged, receiving just 74 cents on the dollar. Reducing Medicaid reimbursement in any way jeopardizes hospitals' ability to keep their doors open to care for everyone in their communities.

Keep Insurance Affordable: Maintain Access to Premium Support

In addition to those covered by Medicaid, nearly half a million Pennsylvanians rely on federal support to pay for their exchange-based insurance premiums. Without an extension of that help, 90 percent of those people would see substantial increases in cost for their health care coverage. Helping pay the premiums for hard-working Pennsylvanians who could not otherwise afford coverage is vital to preserving access to care and preventing a rise in uncompensated care for providers.



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Safeguard Pennsylvania: Oppose Policies that Will Harm Our Health Care System

Proposals to reduce the Federal Medical Assistance Percentage (FMAP) and upend Medicaid financing are a direct cut to vulnerable hospitals. Such restrictions would increase the chronic shortfalls between Medicaid payments and hospitals' costs impacting their ability to provide care.

- A change in the FMAP would decimate health care coverage. States would need to make significant cuts, including reducing eligibility, eliminating or limiting benefits and reducing already low payment rates for providers.
- States fund their share of the Medicaid program through a patchwork of financing mechanisms approved by Congress. Nearly all states rely on provider taxes to fund a portion of their state Medicaid program. Restrictions on funding would threaten access to care for entire communities, not just Medicaid beneficiaries given the significant impact on hospitals that are already financially distressed.

Ensure Patients Receive Appropriate Care: Reject Site-Neutral Payment Policies

Reducing payments to hospitals for certain procedures provided in hospital outpatient departments and making them equivalent to payments made for services provided in physician offices is problematic for several reasons.

Patients who receive care in hospital outpatient departments typically have more complex needs and benefit from the additional clinical services provided in those settings. Hospital-based services are more expensive for important and legitimate reasons, and they have more comprehensive licensing, accreditation, and regulatory requirements than independent physician offices or ambulatory surgery centers. The additional costs support a higher—and necessary—level of patient care.

Cutting reimbursement for certain services would make it difficult for hospitals to continue providing these services, reducing patients' access to medically necessary health care.

Help Hospitals Stretch Resources, Improve Patient Care: Support the 340B Program

Congress created the 340B Drug Pricing Program to help stretch scarce federal resources, reach more patients, and provide more comprehensive services. The program is especially critical in rural areas, as 46 percent of 340B hospitals are in those communities. In fiscal year 2023, Pennsylvania's 69 340B hospitals provided \$7 billion in benefits to the communities they serve at no additional cost to taxpayers. Funding went to programs like medication therapy management, diabetes education and counseling, behavioral health services, opioid treatment services, and providing free or discounted drugs to those in need. Including the 340B discount, which only accounts for 3.1 percent of pharmaceutical company revenue, the top 10 drug manufacturers still had an average operating margin of more than 28 percent.

This program's enormous patient benefits are now at risk due to pressure from pharmaceutical companies seeking to bolster their already profitable bottom lines.



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Pennsylvania hospitals need your support to continue to care for the people we both serve. Your votes during the first few months of the 119th Congress can help protect Pennsylvanians' access to care.

Sincerely,

Nicole Stallings
President & CEO
The Hospital and HealthSystem Association of Pennsylvania