



The Hospital + Healthsystem
Association of Pennsylvania

Leading for Better Health

October 5, 2023

House Ways and Means Committee
1139 Longworth HOB
Washington D.C. 20515

Dear House Ways and Means Committee Members:

On behalf of The Hospital and Healthsystem Association of Pennsylvania (HAP), which represents approximately 235 member hospitals across the commonwealth, thank you for the opportunity to submit comments on improving access to care in rural communities.

Hospitals across the country are emerging from one the largest health care crises in more than a century and, in its wake, a confluence of challenges have emerged that place health care delivery systems, in particular those in rural communities, in jeopardy. Staffing shortages, skyrocketing labor costs, continuing supply chain disruptions, inflation, rising interest rates, and volatile markets are pressuring both revenue and expenses and have only exacerbated these challenges. Compounding this is the failure of Medicare, Medicaid, and commercial payment rates to keep pace with the substantial increases in care delivery expenses, placing extensive strain on rural hospitals and health systems.

Sustainable Provider and Facility Financing

Rural hospitals are often the bedrock of their communities—and in most cases they are one of the primary economic drivers. During fiscal year (FY) 2020, Pennsylvania's rural hospitals provided more than \$47 million in charity care and contributed almost \$24 million in community health improvement services and community benefit. Pennsylvania's rural hospitals and health systems support 69,604 jobs (39,728 direct, 29,876 ripple). Hospitals are among the 12 largest employers in all 40 rural counties that have hospitals.

Unfortunately, continued financial pressures put their very existence at risk. Rural hospitals often care for socio-economically challenged and aging populations. They are disproportionately dependent on governmental payors, which typically pay less than the cost of delivering high-quality care. They also are challenged by low patient volumes which mean hospitals have insufficient scale to cover high fixed operating costs and to respond to increases in variable operating costs. During FY 2022, 28 percent of Pennsylvania's rural hospitals posted negative operating margins. An additional 14 percent operated at margins between 0 and 4 percent, a rate below what is necessary to for long-term sustainability.

The viability of rural hospitals is largely dependent on programs and payment policies that account for these differences in payor mix and patient volume. Two important Medicare programs supporting access to care in rural communities are at risk—the Medicare-Dependent Hospital (MDH) program and Low-Volume (LV) Hospital Adjustment. The MDH program supports small rural hospitals that serve a large Medicare population and rely heavily on



Leading for Better Health

House Ways and Means Committee

October 5, 2023

Page 2

Medicare payments to sustain hospital operations. The LV Hospital Adjustment provides a payment adjustment to small rural hospitals that are unable to achieve economies of scale due to a limited number of discharges. The combined impact of these programs for Pennsylvania is nearly \$18 million annually. We urge you to provide stability for rural providers by permanently extending the MDH program and LV Adjustment by supporting legislation similar to the Rural Hospital Support Act (S.1110) introduced by Senator Casey in the Senate.

Additionally, we urge continued support for the Community Facilities Direct Loan & Grant Program, which provides essential, affordable funding to develop community facilities in rural areas. HAP has worked closely with Agriculture Committee Chairman Glenn Thompson in support of the program and to improve the program to insure that rural hospitals, as essential community facilities, can access critical loans and grants. We urge that funds be set aside for rural hospitals for capital development projects. Further, we support a funding increase for this program.

Rural health providers pride themselves on ensuring the well-being of their regions by providing care to members of their communities “where they are.” Increasingly, they are online or can be best served—at the greatest convenience, with the best access to cutting-edge care—remotely. We urge support for innovation to ensure that rural hospitals remain viable. Medicare programs have made permanent some of the flexibilities granted during the COVID-related public health emergency—including, for example, allowing for telephonic visits when a patient does not have the means for synchronous video and paying for telehealth treatments at the same rate that would be paid for a similar in-person visit in the fee-for-service delivery system. It is imperative that advancements in the payment for telehealth services continue.

Health Care Workforce

The American economy and labor markets are undergoing fundamental shifts. Hospitals across the nation are attempting to navigate an extraordinary workforce shortage that time-tested solutions no longer remedy. In a recent study, the American Hospital Association said, “Recruitment and retention of healthcare professionals is an ongoing challenge and expense for rural hospitals. While almost 20 percent of the U.S. population lives in rural areas, less than 10 percent of U.S. physicians practice in these communities.” In a recent study performed by HAP, rural hospitals are facing an almost 40 percent vacancy rate for registered nurses.

There are a few bills that have been introduced in the 2023–2024 session that aim to ease workforce challenges through policy improvements. Rural hospitals in Pennsylvania are asking for your support of the following three bills:

- Representatives Meuser and Wild introduced The Fairness for Rural Teaching Hospitals Act (H.R. 2433) which specifically addresses concerns with educating the health workforce in rural areas. The bill aims to update hospital-specific rates for MDHs that also operate teaching programs in a way that provides more fair reimbursement. Rate



Leading for Better Health

House Ways and Means Committee

October 5, 2023

Page 3

enhancements for hospitals operating teaching programs are added to a base figure. The three-year average of these base figures is then examined to determine if the hospital is eligible for the enhancements offered to MDHs. Adding the Indirect Medical Education (IME) rate adjustment to hospital rates before performing MDH eligibility calculations inflates them thereby making the hospital eligible for less MDH funding. This bill proposes to add the IME adjustments to hospital rates after performing the MDH eligibility calculations, rightfully and marginally increasing payments for rural hospitals that are MDHs and operate teaching programs. This small increase helps to ensure that these hospitals will be able to continue to operate teaching programs which often serve as a pipeline to long-term recruitment efforts.

- The ability of rural hospitals to attract talent is being inhibited by licensure complications. The States Handling Access to Reciprocity for Employment, or SHARE Act, (H.R. 1310) cosponsored by Representative Meuser takes measures to address this problem. Currently, providers seeking licensure in more than one state are required to complete licensure applications for each state. The FBI background check is required by each state and is typically the longest part of the licensure application process. This bill would require the FBI to make criminal history record information available to multiple state licensing authorities for those providers seeking a license under an interstate compact. The ability to complete the licensure process in multiple states quickly and efficiently is increasingly important as we continue to use telemedicine to expand health care access—another critical tool for rural hospitals.
- The ability of rural hospitals to attract and retain physicians is a continuous struggle. The Specialty Physicians Advancing Rural Care, or SPARC Act, (H.R. 2671) sponsored by Representative Joyce would authorize the Health Resources and Services Administration to create a student loan repayment program for specialty physicians and specialty non-physician practitioners that complete a period of service in a rural community with a demonstrated shortage. The program would extend for six years and cover up to \$250,000 in student loan principal and interest. Loan repayment programs are critical to the recruitment efforts of rural hospitals. Without these incentives, providers practicing in specialized medicine are more likely to take higher paying jobs in urban and suburban areas.

Innovative Models and Technology

Pennsylvania's rural hospitals have demonstrated their commitment to being leaders in developing and implementing innovative solutions to the unique financial challenges they face. With funding from the Center for Medicare & Medicaid Innovation, a subset of rural hospitals are piloting a new payment mechanism and care delivery model.

The Pennsylvania Rural Health Model allows rural hospitals to step off the fee-for-service hamster wheel and focus on the needs of the communities they serve. It provides hospitals with



Leading for Better Health

House Ways and Means Committee

October 5, 2023

Page 4

stable, predictable funding which enables them to truly transform the care that they provide. The pilot began during January 2019 with five hospitals and five payors. The model has successfully grown to 18 hospitals and six payors and has exceeded one million covered lives. Participant hospitals are estimated to impact 10 percent of the state population and contribute \$2.4 billion in spending.

It is clear that status quo payment methodologies fall short of supporting the critical health care needs of rural communities. As rural hospitals continue to struggle financially, this model has provided a lifeline for some of our most vulnerable facilities, as well as an opportunity for Pennsylvania to lead the way in developing an alternative that can be implemented nationwide. Many other states are watching the Pennsylvania model with great interest. Continued support for this innovative work and others is both timely and imperative.

Pennsylvania's rural hospitals are taking the lead in addressing many of the financial and operational challenges they face but, without additional support, many will not be able to endure under the current conditions. I appreciate your consideration of these important matters and stand ready to assist with any further questions you may have.

Sincerely,

Nicole Stallings
President and Chief Executive Officer