



August 15, 2025

The Honorable Valerie A. Arkoosh, MD, MPH
Secretary
Pennsylvania Department of Human Services
625 Forster Street
Harrisburg, PA 17120

Dear Secretary Arkoosh:

On behalf of The Hospital and Healthsystem Association of Pennsylvania (HAP) and our more than 235 member organizations statewide, thank you for your partnership in ensuring our rural communities can access timely and high-quality health care.

HAP stands ready to partner with the department in shaping the commonwealth's application to the Rural Health Transformation Program (RHTP) to address the needs of rural Pennsylvanians and our communities. As you initiate stakeholder feedback to inform the application, we urge you to remain focused on a program design that prioritizes the RHTP's intent: Stabilizing rural hospitals so they can continue to serve their communities as they prepare to weather drastic Medicaid payment cuts.

Rural hospitals are the linchpins of Pennsylvania's rural health care continuum. They serve as critical access points for acute and preventative care. They are often the only locations in their regions offering comprehensive, vital services, such as emergency services, maternal care, and behavioral health. Without local hospitals, rural residents often must travel long distances for lifesaving emergency treatment, routine and preventative care, and visits to manage chronic conditions.

As you know, Pennsylvania's rural hospitals are already under significant strain. Fewer than half are operating with margins necessary for long-term stability and about 40 percent have faced multi-year losses. Most are navigating workforce shortages, outdated infrastructure, and operational challenges, all while relying on payment structures that aren't sustainable with high fixed costs and declining patient volume.

Medicaid changes from federal legislation (H.R. 1) will further destabilize the commonwealth's rural hospitals as they take effect in the coming years. We estimate that reductions to provider taxes and state-directed payments will result in a more than \$1 billion net, direct cut to rural hospital payments over 10 years. We both continue to warn that Medicaid coverage losses and the end of subsidies to buy insurance through Pennie will significantly drive-up uncompensated care that hospitals must absorb.



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These cuts are permanent—and they put rural hospitals at significant risk of having to close or reduce services. The RHTP provides a temporary bridge to help rural hospitals continue to serve their communities as they make necessary changes and investments to improve future stability.

We urge you to prioritize funding through the RHTP that keeps rural hospitals and the services their communities depend on open. We caution against tying RHTP funds to new initiatives that cannot be sustainably maintained when the program ends and hospitals are left to absorb permanent payment cuts.

Based on conversations with our rural members about their needs for long-term stability in light of the coming Medicaid changes, we are sharing the following considerations as you craft Pennsylvania's focus for the RHTP:

- All rural hospitals will experience significant funding reductions and therefore all should be eligible to receive RHTP support.
- Proven models to incentivize clinicians to work in rural communities should be scaled. In addition, direct funding should be available for hospitals to maintain and appropriately invest in workforce stability through recruitment, retention, and training strategies that ensure services are available long term.
- Infrastructure investments, including modernizing the physical footprint, expanding broadband, and implementing technology, such as telehealth and data systems, can enable hospital transformation, improve efficiency, and maintain access to care in rural communities.
- To be successful, investments must be accompanied by a flexible regulatory environment that removes unnecessary burdens to innovative models of care.
- The RHTP must make investments that help rural hospitals continue to serve their communities when funding ends, not create new initiatives that cannot be sustained without additional support.

The congressional intent of the RHTP was to assist hospitals in preparing for significant Medicaid cuts that will impact them and their communities. Following the passage of H.R. 1, Senate Majority Leader John Thune (R-SD) offered this statement on the floor: “Our goal with this fund is to give rural hospitals and other vulnerable providers the time and resources to find solutions to some of the challenges they’re facing...” Chairman of the House Energy and Commerce Committee Brett Guthrie (R-KY) noted that “the \$50 billion Rural Health Transformation Program created by the bill to support rural health providers care for their patients. This will bolster funding for our most vulnerable hospitals and allow them to keep serving their communities.”

The plan you are developing will play a substantial role in sustaining access to care in rural communities, whose hospitals face unique challenges that threaten their long-term



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viability. We stand ready to work with you on this critical endeavor and will provide additional member feedback upon release of your stakeholder template.

Thank you for your leadership in support of the health of rural Pennsylvanians.

Sincerely,

Nicole Stallings
President and Chief Executive Officer