

Statement of

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for the

**House Republican Policy Committee**

January 22, 2026

Good morning, members of the committee. Thank you for having us here today. This statement comes amidst a particularly challenging moment for Pennsylvania's hospitals.

The hospital community in Pennsylvania is in a very fragile state. Pennsylvania's hospitals—especially in our rural communities—need forward-thinking, comprehensive, and innovative solutions that will keep affordable care in our communities and support the commonwealth's economic growth into the future.

You are all well aware of the Pennsylvania hospital bankruptcies and service line closures that have been in the headlines over the past year and the very real threat hospital closures pose to the viability of many communities. What's less visible, however, is how close so many other hospitals across the commonwealth—especially in our rural communities—are to a breaking point. Many are facing multi-year operating losses. Many are only one funding cut, one disruption, or one nuclear verdict in a medical liability case away from having to make difficult decisions about ending services or—in the worst cases—closing their doors.

When hospital closures are announced, other hospitals in nearby communities are often called upon to step in and ensure that access to care is maintained. Time and time again, Pennsylvania's hospitals have done exactly that—it is their mission, after all. The concerning question we face today is who will step in to help when the entire ecosystem of hospitals is facing profound strain and uncertainty.

### **The Big Picture**

Pennsylvania's hospitals, particularly our rural hospitals, are in a tenuous and deteriorating financial position. That instability threatens not only access to care, but also the commonwealth's ability to attract family-supporting jobs and sustain economic growth.



Hospitals are vital to the health of our communities—providing around-the-clock care and leading efforts to improve community health. During fiscal year 2024, Pennsylvania hospitals contributed a \$195.4 billion economic impact—nearly a fifth of the commonwealth’s GDP—while supporting 1 in 8 jobs statewide.

People want to live in communities where they can access emergency care and services they need, like maternal health care. Businesses locate and grow in communities where they have a healthy, local workforce. Having a strong hospital in a community is a prerequisite to economic development. Conversely, it’s easy to see how health care deserts can quickly become economic deserts.

For these reasons, the challenges we are talking about today aren’t just *hospital* challenges; they’re *economic* and *community* challenges. We cannot have healthy, vibrant rural communities in Pennsylvania without strong, financially stable rural hospitals. If Pennsylvania wants rural economic growth, it needs services that bring people to our rural communities. The commonwealth must ensure that all Pennsylvania communities have access to strong, stable hospitals.

## What We Face

Pennsylvania’s hospitals face compounding difficulties, especially in our rural areas.

### *Financial stability*

In the absence of a public health system in Pennsylvania, hospitals are consistently asked to do more, with less:

- They are where the public and government turn to during the public health crises.
- They are places where many in rural communities rely on to get their primary, pediatric, and maternal care.
- They are where individuals in crisis seek care because there are not enough behavioral health services to meet needs. In rural counties, those with complex needs often wait days, a week or longer in emergency departments to be transferred to the appropriate setting for the behavioral health care they need.

From community hospitals to academic medical centers, these community anchors are facing a perfect storm of financial pressures: persistent cost growth, inadequate reimbursement, and shifting care patterns driven by 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.

Across Pennsylvania, hospitals are facing a convergence of pressures that is uniquely severe compared to peer states:

- An expert analysis conducted by national consulting firm Oliver Wyman released this week found that Pennsylvania hospitals are underpaid relative to their costs at a level that places them at a competitive disadvantage nationally.
- Medicaid reimbursement in Pennsylvania is 11 percentage points below the national average.
- On average, hospitals are paid only about 71 cents for every dollar spent caring for Medicaid and uninsured patients—and rural hospitals fare even worse.
- Chronic underpayments have already pushed Pennsylvania’s hospital sector into distress. Over the past decade, 25 hospitals have closed statewide. Today, 37 percent of hospitals are operating at a loss, and fewer than half generate margins necessary for long-term stability. Collectively, hospitals are absorbing a \$3.3 billion gap between operating expenses and patient revenue.

These headwinds are despite Pennsylvania hospitals’ efforts to control costs and increase efficiencies without compromising high-quality, affordable care. Oliver Wyman found that Pennsylvania hospitals have kept their cost per discharge 29 percent lower than neighboring states while ranking in the top fifth of states for quality. However, the unique challenges of Pennsylvania’s policy environment have resulted in Pennsylvania hospitals and health systems having much lower average bond ratings than the national average.

Federal policies will further intensify this strain. H.R. 1, the 2025 federal reconciliation bill passed into law, will significantly worsen hospital finances through direct cuts to hospital payments—totaling \$4.5 billion statewide over the next decade—and coverage changes that will significantly increase the uncompensated care hospitals absorb. However, it is critical to understand that H.R. 1 did not create this crisis—it has only added to a compounding array of long-standing problems rooted in Pennsylvania’s chronic underpayment for hospital care. Even before H.R. 1, Pennsylvania hospitals were projected to see their collective margin fall below zero by the end of the decade.

### *Regulatory compliance and administrative burden*

Health care is a highly regulated industry, and the hospital community appreciates clear and defined parameters within which it provides care. The federal government, third-party accreditation entities, and the state all regulate hospitals.



However, hospitals also operate under an outdated and costly regulatory framework. Pennsylvania’s hospital licensure regulations date back to the 1980s and fail to reflect modern care delivery or technology. Compliance with duplicative and inconsistent requirements diverts scarce resources away from patient care and capital investment—resources that could otherwise support innovation, efficiency, and workforce growth.

Hospitals must employ teams of specialists to navigate the ever-changing requirements of regulators, whether that is at the federal, state, or individual level. Lengthy state approval processes can delay access to care and ultimately place additional financial and operational strain on an already stretched industry.

### *Workforce*

You have heard countless times that we have a workforce supply problem. Access to care hinges on having the robust provider workforce needed to deliver care. And we’re not just focused on meeting today’s needs. We need to build the workforce of tomorrow that will meet a growing need for care as the commonwealth ages.

Workforce shortages compound these challenges. Hospitals have made substantial investments to stabilize their staffing and cut turnover for direct care professionals by 32 percent since 2022 by raising wages, expanding tuition assistance, offering childcare, or partnering with educators.

However, shortages continue to persist. As of our most recent survey of Pennsylvania hospitals, vacancy rates remain in the double digits across clinical roles, including 19 percent for registered nurses and 17 percent for nursing support staff. It has reached as high as 30 percent for certified registered nurse anesthetists and 28 percent for surgical technicians. Shortages are even greater in rural communities.

These shortages directly translate into longer emergency department wait times, delayed procedures, and reduced service availability. Due to workforce shortages, 70 percent of hospitals report increased emergency department wait times and 68 percent report delays in scheduling appointments or procedures. Some have had to eliminate or scale back a service or close beds on a regular basis. The inability to meet staffing requirements in nursing homes means patients are turned away, staying days longer in hospitals despite being cleared for discharge.

Filling today’s vacancies is not enough. Pennsylvania Department of Labor and Industry projects that *each year* through 2032, the commonwealth will *still* need 8,890 more registered nurses and 11,232 more nursing assistants to meet a growing need.



### *Medical liability*

It is no secret that the medical liability climate in Pennsylvania is considered one of the most challenging nationally. Pennsylvania has the highest cost per capita of medical liability payouts among all states (\$43). In some regions, liability premiums for high-risk specialties are significantly higher than those in neighboring states and are increasing faster.

Between the threat of nuclear verdicts and the Supreme Court rule change allowing venue shopping, many rural hospitals are one lawsuit away from being forced to reconsider high-risk services or the future of facilities.

I want to be clear: Patients and families deserve a fair process for resolving medical liability claims. But that system must have balance to ensure that Pennsylvanians can access high-quality health care. What we are talking about today is a system that has shifted so far in one direction, that Pennsylvania is a national outlier.

Pennsylvania's medical liability is a leading barrier to Pennsylvania attracting and keeping physicians and other providers who are needed to care for our communities. The resulting workforce shortages—coupled with the soaring cost of medical liability premiums—makes it increasingly hard for hospitals, especially in rural communities, to maintain high-risk services, like labor and delivery and trauma care.

Without appropriate action taken by this state to tackle compounding policy-driven crises and address where we are falling behind, Pennsylvania's hospitals will continue to be on life support.

We need partnership at all levels of state government to address this crisis. HAP supports efforts to restore balance to the medical liability environment in the commonwealth through Senate Bill 125, which proposes a constitutional amendment to allow the General Assembly to establish venue in civil cases. And we support other reforms, including enacting Certificate of Merit requirements, strengthening peer review protections, establishing apportioned liability standards, setting caps on future damages, and strengthening remittitur involvement and oversight.

### **What's At Stake**

This compounding mix of policy pressures is not sustainable for our rural hospitals. They serve a higher share of Medicare, Medicaid, and uninsured patients; they struggle more acutely with workforce shortages; and they often operate as one of the largest—and in many cases *the* largest—employer in their county. When a rural hospital is forced



to close or reduce services, the ripple effects in the community are widespread—lost jobs, reduced economic activity, and diminished ability to attract new employers and families.

Without corrective action, Oliver Wyman’s projections suggest that as many as 12–14 additional hospitals could close by 2030. The consequences would be profound: average travel times to the nearest hospital could increase by 22 minutes, and communities could lose nearly \$900 million in wages due to job losses. Our rural areas already face demographic and fiscal pressures. These closures would only accelerate population decline and undermine local economic development efforts.

### **What We Can Do**

Hospitals are key economic infrastructure. Communities with strong, financially stable hospitals are communities where employers choose to locate, where workers choose to live, and where families feel secure raising children. When hospitals struggle or close, communities do not just lose access to care; they lose jobs, investment, and opportunity.

It is critically important to ensure that hospital payments reflect the cost of providing care. Any other industry would have collapsed by now facing the chronic underpayments that hospitals are routinely expected to absorb.

We know that the commonwealth is navigating real fiscal constraints and that policymakers are asked to address many competing priorities. That’s why we focused on identifying practical, budget-conscious strategies for the General Assembly and administration to work together to stabilize hospitals.

Earlier this month, HAP outlined strategies the commonwealth could take to support distressed hospitals and maximize allowable mechanisms to get a little closer to paying what it costs to care for Pennsylvanians covered by Medicaid.

At the same time, our commonwealth must take proactive action to address the many factors driving up the cost of care and contributing to operational challenges that strain access.

*Create a consistent and reliable regulatory and compliance environment that supports 21<sup>st</sup> century care.*

- The Department of Health is currently going through the process of overhauling hospital licensure regulations. It is absolutely critical that updated regulations support modern care delivery and encourage, rather than hamper, innovation.





- Along with updated regulations, the community needs a consistent regulatory compliance environment statewide so that hospitals have clear and predictable guidelines.
- The General Assembly should study the economic impact of the hospital regulatory environment.
- At the same time, the legislature should not pass legislation that creates additional regulatory burdens that are duplicative or conflict with existing federal or accrediting requirements.

*Support a nursing and physician workforce pipeline.*

- Pass bipartisan legislation to create a grant program incentivizing nurses and physicians to practice in rural communities.
- Reform Pennsylvania’s medical liability climate to keep providers in the commonwealth beginning with collaboration between the General Assembly, administration, and the courts to reverse the harmful venue rule change that hurts access in rural communities and make commonsense reforms to improve clinician collaboration and community impact.
- Pass legislation that will grow capacity to educate the next generation of nurses by getting more preceptors and nursing faculty into teaching.
- Pass bipartisan legislation that supports investments in technology and programs that help protect care teams.

*Adopt innovative solutions to strengthen access to care.*

- Specific state budget funding to support rural hospitals has been a crucial lifeline—and we greatly appreciate the legislature’s support. It is necessary to identify a long-term solution by developing the next-generation sustainable funding model for rural hospitals that will replace the Pennsylvania Rural Health Model.
- And we must expand infrastructure to free up our emergency departments so that patients can get the right care, at the right time. Let’s start with bolstering our crisis intervention network to support behavioral health initiatives.



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Strong hospitals are not just a health care priority—they are a cornerstone of economic growth. If Pennsylvania wants to compete for family-supporting jobs, advanced manufacturing, and technology-driven industries, it must ensure that communities across the commonwealth have access to strong, stable hospitals.

Thank you for your attention and for your commitment to policies that support growth, opportunity, and thriving communities. HAP is looking forward to working with you to protect access to care, empower our rural communities, and strengthen Pennsylvania's economic future.