

July 7, 2025

Members of the Pennsylvania House Judiciary Committee:

Amid pending historic cuts to hospital payments and accelerated legislative consideration, we implore you to **vote no on House Bill 1697**. House Bill 1697 would create a new state law to address alleged false or fraudulent claims for payment from state programs by allowing both the state and private individuals, and their attorneys, to pursue legal action and collect on increased rewards. As you have undoubtedly seen, many of Pennsylvania's rural hospitals are on the brink of closure and for some, a single frivolous lawsuit—compounded by expected negative financial impacts from federal changes—could be enough to close the only hospital in the community and threaten access to care.

To be clear, HAP and our member hospitals recognize the high cost of fraud to Pennsylvania taxpayers and take identifying and preventing fraud very seriously. However, the provisions in HB 1697 would create incentives for filing lawsuits by including monetary rewards for whistleblowers and their legal representation. HAP encourages additional thinking on the following key points:

- **Federal False Claims law already exists:** There already exists a federal False Claims Act (FCA) under which Medicaid claims can and will continue to be litigated, providing 100 percent protection for states against all types of Medicaid fraud. The Department of Justice (DOJ) focuses on real fraud and not honest errors or submissions by vengeful employees, and the federal standard provides predictability and a level playing field for hospitals, negating the need for a state FCA. **The only change that occurs with the enactment of a state FCA is the additional payment to the whistleblower and trial attorneys.**
- **Pennsylvania has an already low error rate:** It is important to recognize that Pennsylvania already has one of the lowest Medicaid [error](#) rates in the country. Recent federal reviews show Pennsylvania's Medicaid improper payment rate is 2.5 percent, significantly below the national average. Most of these errors are due to documentation issues, not intentional fraud. This reflects the ongoing efforts by providers and the state to prevent fraud and maintain program integrity. Given this strong performance, **HAP encourages careful consideration of whether additional litigation risk is necessary, especially at a time when hospitals face serious financial and operational challenges.**
- **House Bill 1697 threatens patient access to care:** Hospitals across Pennsylvania, particularly in rural and underserved communities, are facing extreme financial strain. New legal exposure could force hospitals to cut back services, reduce staff, or even close entirely. This would leave communities with fewer options for emergency care, maternity services, and other vital health needs. **House Bill 1697 would worsen negative impacts on community health and economic stability throughout the Commonwealth.**



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Hospitals are in the business of care, not committing fraud. Honest mistakes happen and they are quickly rectified through existing oversight mechanisms. We should not be creating additional avenues for opportunistic lawsuits that could cripple your local hospital.

**Please vote “no” on House Bill 1697.**

Sincerely,

**Arielle Chortanoff**

Senior Vice President, State Advocacy