



The Mental Health Safety Net Coalition



December 11, 2023

The Honorable Josh Shapiro
Office of the Governor
Commonwealth of Pennsylvania
508 Main Capitol Building
Harrisburg, PA 17120

Dear Governor Shapiro:

On behalf of the Pennsylvania Provider Advocacy Coalition, we are writing to respectfully ask you to ensure the proposed fiscal year (FY) 2024–2025 budget for Medical Assistance includes the necessary rate adjustments to help address the dramatic changes in Pennsylvania’s health care labor market which threaten access to care for residents of the commonwealth and the financial viability of providers.

As you know, the global pandemic has exposed and accelerated many challenges facing our health care system, but nowhere is the constellation of issues more significant than those related to the shortages of key personnel which is resulting in rapidly decreasing access and increasing staffing costs. Nationally and in Pennsylvania, health care professionals are leaving the workforce in record numbers, and it is extraordinarily difficult to recruit and retain not only well-trained medical professionals, but virtually all personnel necessary to deliver health care.

The long-term outlook is also discouraging. A 2021 U.S. Healthcare Labor Market Report from Mercer examined the health care labor market over the next five to 10 years and found that Pennsylvania to be among the states that will experience the greatest shortages of registered nurses, mental health workers, and nursing support staff. Among the commonwealth’s 67 counties, 63 are entirely or partially primary care health professional shortage areas (HPSA) and 53 are entirely or partially mental health HPSAs.


We recognize that addressing these workforce challenges will require a sustained, coordinated, multi-faceted public and private sector response. Earlier this year, our coalition met with representatives of your administration to recommend the creation of a Health Care Workforce Council to help lead this multiyear effort. However, there is one aspect of this overall problem that is relatively straightforward—chronic underpayment by the Medical Assistance program.

In this context, the Medical Assistance program now covers approximately 25 percent of the population of Pennsylvania, but routinely pays providers well below the cost of care. Specifically, Medical Assistance provider payments have in no way kept pace with the increases in labor costs. For example:



Pennsylvania Chapter

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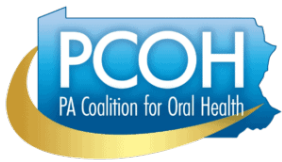
American Academy of Pediatrics 
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American College of Physicians
Leading Internal Medicine, Improving Lives
Chapter

- The Living Independence for the Elderly (LIFE) program has not had a meaningful rate increase for more than a decade, with a net increase from 2008 to 2023 of only 2.8 percent, despite facing dramatically increased expenses in critical categories, including salary and wage increases, therapy costs, administrative expenses, transportation costs, and more.
- In nursing homes, chronic underfunding, coupled with rapidly increased costs in recent years (particularly costs associated with the effects of the pandemic and new staffing mandates implemented in 2023), has continued to widen the gap between Medicaid reimbursement rates and the true costs of care. For example, increased reliance on temporary staffing agencies has resulted in many providers having to pay hundreds of thousands of dollars in agency fees each month.
- Psychiatry, Child Psychiatry, Residential services for mental health, intellectual and developmental disabilities, and brain injury have also been chronically underfunded programs.
- Medical Assistance pays hospitals 81 cents on each dollar of care. Over the past 12–18 months, labor costs in hospitals have increased by approximately 30 percent. Labor costs comprise 50–60 percent of a typical hospital’s budget.
- According to the Free Clinic Association of Pennsylvania, the 52 free clinics in the commonwealth are impacted by this too. Their services are the last layer of the health care safety net, intended for low-income, uninsured individuals who do not qualify for Medicaid and cannot afford the cost of premiums or deductibles, even on the subsidized plans available through Pennie.

While cost shifting has been an implicit part of the financing strategy for Medicaid since its inception, this approach is no longer sustainable on the current scale. The situation is even more dire for providers which serve a disproportionate number of Medical Assistance recipients. Some providers, in fact, are 100 percent publicly funded (e.g., IDD providers). Everyday this problem is playing out across the delivery system, impacting nursing homes, LIFE, mental health providers, developmental disability providers, community health centers, physician practices and other settings. Ironically the providers most committed to serving the communities at greatest risk are the most vulnerable to the dynamics of the current market.

Pennsylvania must increase Medicaid payment rates to respond to spiking labor costs in order to ensure continued access to care not only for the quarter of the state’s residents who rely on Medical Assistance, but also for all the Pennsylvanians who rely on providers participating in this program. Pennsylvania has considerable flexibility to set provider payment rates in the fee-for-service program and through those rates



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establish baseline expectations for managed care organization payment rates necessary to ensuring adequate provider networks.

Again, we urge you to ensure your proposed FY 2024–2025 budget includes the resources necessary to respond to the labor market challenges faced by all providers participating the Medical Assistance program.

Thank you for the opportunity to share our views. We look forward to working with you and your administration to help address this workforce crisis and ensure continued access to care for all Pennsylvanians.

Sincerely,

Ambulance Association of Pennsylvania

American College of Nurse-Midwives, Pennsylvania Affiliate

American College of Obstetricians and Gynecologists

Free Clinic Association of Pennsylvania

The Hospital and Healthsystem Association of Pennsylvania

LeadingAge PA

The Mental Health Safety Net Coalition

National Association of Social Workers, Pennsylvania Chapter

Pennsylvania Academy of Family Physicians

Pennsylvania Academy of Ophthalmology

Pennsylvania Athletic Trainers' Society

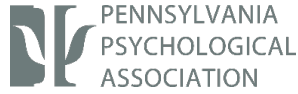
Pennsylvania Association of Community Health Centers

Pennsylvania Association of Home and Community Based Services Providers

Pennsylvania Association of Nurse Anesthetists

Pennsylvania Chapter of the American Academy of Pediatrics

Pennsylvania Chapter of the American College of Physicians



[The Urban Health Care Coalition of Pennsylvania](#)

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Pennsylvania Chiropractic Association

Pennsylvania Coalition of Nurse Practitioners

Pennsylvania Coalition for Oral Health

Pennsylvania College of Emergency Physicians

Pennsylvania Dental Association

Pennsylvania Health Care Association

Pennsylvania Homecare Association

Pennsylvania Medical Society

Pennsylvania Optometric Association

Pennsylvania Psychological Association

Pennsylvania Rheumatology Society

Pennsylvania Rural Health Association

Pennsylvania Society of Health-System Pharmacists

Pennsylvania Society of Physician Assistants

Rehabilitation and Community Providers Association

Safety-Net Association of Pennsylvania

The Urban Health Care Coalition of Pennsylvania

CC: Val Arkoosh, Secretary, Department of Human Services
Debra Bogen, DOH Secretary, Department of Health
Latika Davis-Jones, Secretary, Department of Drug and Alcohol
Programs

Uri Monson, Budget Secretary

Al Schmidt, Secretary of State