

June 1, 2022

Dear Members of the Pennsylvania Congressional Delegation:

During the past two years, hospitals in Pennsylvania have been on the front lines of caring for patients and protecting communities. The relief that Congress provided through the Provider Relief Fund and in halting payment cuts was crucial in that effort. As hospitals grapple with continued historic revenue losses and increased expenses, which combined are jeopardizing patient care, the looming resumption of the 2 percent sequestration cut and prospect of Statutory Pay-As-You-Go Act of 2010's (PAYGO) 4 percent reduction in Medicare payments risk further destabilization to our already strained system. It is imperative that these reductions be prevented from taking effect.

From 2019–2021, hospitals and health systems faced unprecedented financial challenges. A recent national study shows, during that time, per patient hospital labor expenses grew by 19.1 percent. Medical supply expenses grew 20.6 percent compared to pre-pandemic levels. Drug expenses increased by more than one-third (36.9%). We validate that Pennsylvania hospitals experience is consistent with these national trends. These massive increases in expenditures have continued in 2022.

Starting April 1, 2022, sequestration relief lapsed resulting in a 1 percent cut. The full 2 percent cut will resume on July 1, 2022, if Congress does not act. Annually, the 2 percent Medicare fee-for-service payment cut amounts to \$176 million for Pennsylvania hospitals and \$4.7 billion nationwide. Hospitals operate on tight margins where cost shifting is not an option. This kind of drastic decline in funding puts Pennsylvania hospitals at risk.

During 2023, the Statutory PAYGO requiring that mandatory spending and revenue legislation not increase the federal budget deficit is scheduled to go into effect. Under this policy, the Office of Management and Budget is required to implement across-the-board reductions in mandatory federal spending, including a 4 percent cut to Medicare. Failure to waive PAYGO will result in an estimated loss of more than \$350 million for Pennsylvania hospitals in fee-for-service payments during 2023. This would be a catastrophic outcome for Pennsylvania hospitals already struggling to stay financially afloat.

Our clinicians and support staff have been on the front lines of the COVID response for two years and the arrival of the Omicron variant saw new strains across the health care system, as well as a significant impact on staffing. Now is not the time for hospitals to face additional payment cuts. Over the course of the pandemic, sequestration relief has earned bipartisan support and Congress has appreciated the necessity of waiving the PAYGO reductions. We urge you to engage with Congressional leadership to reverse the looming 2 percent sequestration cut and ensure that Congress acts to avert this PAYGO once again.



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We look forward to continuing to work together to support Pennsylvania hospitals as we care for patients and communities.

Sincerely,

Sara F. Adornato
Chief Executive Officer
Barnes-Kasson County Hospital

Richard Allen
Chief Executive Officer
Warren General Hospital

Richard A. Anderson
President & Chief Executive Officer
St. Luke's University Health Network

Kendra A. Aucker
President & Chief Executive Officer
Evangelical Community Hospital

William Caldwell
Market President
Conemaugh Health System

David Chernow
President & Chief Executive Officer
Select Medical Corporation

Chris Clark, DO, MHA
President
Saint Vincent Hospital

James M. Collins
President & Chief Executive Officer
St. Clair Health

Steven Davis
President & Chief Executive Officer
Clarion Hospital

Ken DeFurio, FACHE
President & Chief Executive Officer
Butler Health System

Steven M. Fontaine
Chief Executive Officer
Penn Highlands Healthcare

Roxanna Gapstur, PhD, RN
President & Chief Executive Officer
WellSpan Health

Vicenta Gaspar-Yoo, MD, MBA
President
Allegheny Valley Hospital

Timothy Harclerode
Chief Executive Officer
Conemaugh Miners Medical Center
Conemaugh Nason Medical Center

David Hess, MD
Chief Executive Officer
Uniontown Hospital

Cynthia Hundorfean
President & Chief Executive Officer
Allegheny Health Network

Brian Johnson, MD
President & Chief Executive Officer
West Penn Hospital

Kelli R. Kane
Chief Financial Officer
Barnes-Kasson County Hospital



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Allan Klapper, MD
President
AHN Wexford Hospital

John J. Lynch, III, FACHE
President & Chief Executive Officer
Main Line Health

Kevin B. Mahoney
Chief Executive Officer
University of Pennsylvania Health System

Michael Makosky
Chief Executive Officer
Fulton County Medical Center

Stephen Massini
Chief Executive Officer
Penn State Health

Bruce A. Meyer, MD, MBA
President
Jefferson Health

Brian Nester, DO, MBA
President & Chief Executive Officer
Lehigh Valley Health Network

Chong Park, MD
Chief Medical Officer
Canonsburg Hospital
Jefferson Hospital

P. Sue Perrotty
President & Chief Executive Officer
Tower Health

Imran Qadeer, MD
Interim President
Allegheny General Hospital

Mark A. Rubino, MD
President
Forbes Hospital

Jaewon Ryu, MD, JD
President & Chief Executive Officer
Geisinger

Edmund Sabanegh, Jr., MD, MBA
President & Chief Executive Officer
Guthrie Clinic

Mark Sevco
Executive Vice President, UPMC
President, UPMC Hospitals, Health Services Division

Michael Spigel
Chief Executive Officer
Good Shepherd Rehabilitation Network

David Tupponce, MD
President
AHN Grove City

Alan Watson
Interim Chief Executive Officer
Conemaugh Meyersdale Medical Center

James Woodward
Regional President & Chief Executive Officer
Trinity Health Mid-Atlantic

Michael A. Young, MHA, FACHE
President & Chief Executive Officer
Temple University Health System