

May 15, 2025

Dear members of Pennsylvania's congressional delegation,

On behalf of more than 235 hospitals and health systems in Pennsylvania that care for every Pennsylvanian, every day, we urge you to oppose the proposed 2026 budget reconciliation legislation.

Pennsylvania's hospital community and access to care in the commonwealth are at a crossroads. More than half of our acute care hospitals are operating in the red and another 15 percent operate with margins less than what is considered sustainable long-term. A third had negative three-year margins for fiscal years 2021–2023. Rural hospitals in particular face unique financial challenges because they serve fewer patients and care for communities that are disproportionately dependent on Medicare and Medicaid; yet they still have the high fixed costs of operating a hospital.

This financial instability can be directly attributed to already insufficient reimbursement through Medicaid for the care provided. In the absence of a public health system, your constituents rely on the care hospitals provide, not just for acute care and emergency departments, but also primary, pediatric, and maternal health care. Reducing coverage and cutting Medicaid will accelerate hospitals down the path of service cuts, and at worst, closure. This is the case statewide but especially in many rural communities where hospitals are already at risk.

Hospitals are facing a perfect storm of financial pressures: Persistent cost growth, inadequate reimbursement, and shifting care patterns driven by both 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. The Energy and Commerce Committee budget reconciliation cuts Medicaid by \$715 billion and will remove billions of dollars from Pennsylvania's already vulnerable health care system. This will affect coverage for your constituents and further strain hospitals that are already at their breaking point.

The current budget reconciliation package will have a dramatic impact on access to care in the commonwealth. Freezing state-directed payments and provider taxes further cement the structural funding issues within health care. By freezing these programs, the proposal ignores circumstances that drive increased health care costs, including inflation, increased labor and drug costs, increased utilization, and increased population



Oppose 2026 Budget Reconciliation Proposal

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demand for services. Further, reducing retroactive coverage will affect both patients and providers by increasing uncompensated care. Pennsylvania hospitals are reimbursed, on average, 82 cents for each the dollar they spend providing care to patients covered by Medicaid—74 cents in rural communities. Without state-directed payments, that amount drops to 53 cents.

Hospitals are vital to the health of our communities—providing around-the-clock care and leading efforts to improve community health. Supporting one in every nine Pennsylvania jobs, they are often the top employers in their communities. During fiscal year 2023, Pennsylvania hospitals, generated a \$186.5 billion economic impact, and supported more than 627,000 jobs. Disruptions to critical funding not only jeopardize access to essential services like emergency, maternal and behavioral health services that communities rely on but could also devastate local economies.

We urge you to support strong communities and strong hospitals by opposing cuts to Medicaid.

Sincerely,

Nicole Stallings
President & CEO