The Hospital + Healthsystem Association of Pennsylvania

Leading for Better Health

Statement of
The Hospital and Healthsystem Association of Pennsylvania

for the

Center for Rural Pennsylvania
Legislative Hearing

submitted by

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Harrisburg, Pennsylvania
February 9, 2022

Thank you, Chairman Yaw and Vice Chairman Pashinski. Good morning distinguished committee members and guests. It is my honor to testify before you.

My name is Kate Slatt. I am the vice president of innovative payment and care delivery at The Hospital and Healthsystem Association of Pennsylvania (HAP). HAP represents approximately 240 member institutions, including the vast majority of rural hospitals across the commonwealth.

In my role, I have been afforded the opportunity to staff our Council of Rural Hospitals and support their work to overcome legislative, regulatory, and operational challenges for the past six years. I also serve on the Board of the Rural Health Redesign Center Authority and am a member of the Audit Committee.

As you are aware, rural hospitals are often the bedrock of their communities—in most cases they are primary economic drivers and a significant source of pride for the patients they serve. Unfortunately, continued financial pressures put their very existence at risk.

During fiscal year 2020, 35 percent of Pennsylvania's rural hospitals posted negative operating margins. An additional one-in-five operated at margins between 0 and 4 percent, a rate below what is necessary to maintain hospital infrastructure and long-term sustainability.

Rural hospitals often care for socio-economically challenged and aging populations and are disproportionately dependent on governmental payors, which typically pay less than the cost of delivering the high-quality care that the commonwealth's rural hospitals provide every day. Rural hospitals also have unique challenges related to recruiting and retaining qualified staff, from physicians, nurses, and technicians, to medical assistants, housekeeping, and dietary staff.

While these pressures are enough to challenge rural hospitals in typical times, these hospitals have been further strained by the unprecedented task of managing through a pandemic.

As you may know, an innovative funding approach was first introduced to the hospital community during 2016. Since then, HAP has worked collaboratively with the state and hospitals to champion the Pennsylvania Rural Health Model as worth exploration and support.

During January 2019, five hospitals and five payors began the pilot. Initially funded by the Center for Medicare & Medicaid Innovation, the model allows rural hospitals to step off the fee-for-service hamster wheel and focus on what their communities actually need. It provides hospitals with stable, predictable funding which enables them to truly transform the care that they provide.

The model has successfully grown to 18 hospitals and six payors and has exceeded one million covered lives. Participant hospitals are estimated to impact 10 percent of the state population, and contribute $2.4 billion in spending.

As rural hospitals continue to struggle financially, this model has provided a lifeline for some of our most vulnerable facilities, as well as an opportunity for Pennsylvania to lead the way in developing an alternative that can be implemented nationwide. I can attest that many other states are watching our model closely and with great interest.

Participants should be very proud of their accomplishments so far. Even in the midst of the intense and unyielding demands of this pandemic, they continue to move forward in their innovative work to transform health care in their communities.

Act 108 of 2019 established the Pennsylvania Rural Health Redesign Center Authority which is the governing body for the Pennsylvania Rural Health Model. During 2020, in the midst of the pandemic, the authority's leaders were able to establish a highly functioning organization to support the hospitals and payors who volunteer for this important pilot.

A key success factor has been the authority's ability to bring stakeholders together to focus on a common goal: improving the health of the communities being served by participating hospitals. The pilot truly shows what state administrative leaders, legislators, hospitals, and payors can accomplish—through partnership and collaboration—when incentives are aligned.

It is clear that status quo payment methodologies fall short of supporting the critical health care needs of rural communities. Continued support for this innovative work is imperative.

We look forward to your ongoing sponsorship of this unique and innovative payment model for rural hospitals in Pennsylvania.

Finally, while I am here, I believe that I would be remiss if I didn't take this opportunity to thank the legislative members of this committee and representatives of the Wolf Administration on this panel for the recent and significant financial support of the hospital employees who are battling COVID-19 as we speak. Thank you. I also want to say that we heard you—as you

crafted and debated the proposal—and stand ready to support your work to identify sustainable, long-term solutions to the ongoing and critical health care workforce shortage.

Thank you for your interest in and attention to this important program. I look forward to continuing dialogue about this issue.