The Hospital + Healthsystem Association of Pennsylvania

Leading for Better Health

Statement of

The Hospital and Healthsystem Association of Pennsylvania

for the

Pennsylvania House of Representatives
Professional Licensure Committee
&
Health Committee

submitted by

Nicole Stallings, President and CEO

March 7, 2024

Thank you, Chairs Burns, Frankel, Metzgar, Rapp, and distinguished members of both committees. I appreciate this opportunity to underscore the urgent need for your intervention to ensure that all Pennsylvanians have access to the high-quality health care they need, when and where they need it.

I'm Nicole Stallings, president and CEO of The Hospital and Healthsystem Association of Pennsylvania (HAP). HAP is privileged to represent more than 230 member organizations statewide. During 2022, HAP members cared for Pennsylvanians through more than 40 million outpatient appointments, 5.5 million emergency department (ED) visits, and 1.4 million discharges from inpatient treatment. To meet the needs of our communities, Pennsylvania's hospitals provided about $400 million in charity care. Hospitals also absorbed nearly $800 million in costs providing services at a loss to meet community needs—and that's not including billions in annual shortfalls from Medicare and Medicaid.

As you well know, health care is a continuum that includes an array of essential services. A single failing element stresses all other components. Multiple failures threaten to collapse the

entire system. We are not there yet, but the cracks are showing. We must act now, together, to safeguard Pennsylvanians' care.

The good news is that this is not a partisan issue. Each of you, the administration, every person in this room, and thousands of others who are not here today share the goal of making sure that every Pennsylvanian—no matter where they live, how old they are, or what their circumstances—can get high-quality health care when they need it.

As policymakers, you strive to ensure that Pennsylvania's communities have everything they need to keep people safe from harm; provide nutritious food and secure housing; and facilitate the interconnectedness that allows for our families, friends, and neighbors to live vibrantly. Thank you for these investments, which are fundamental to Pennsylvanians' health. We strongly encourage you to consistently prioritize social determinants of health as you weigh your personal policy positions on every issue. Transportation impacts health. Economic development impacts health. Education impacts health. Telecommunication impacts health. You get the point.

Ensuring access to care requires supporting all physical and behavioral health providers and services along the continuum.

Preventative and primary care in physical and mental health are necessary to keep people well. Traditional doctor, dentist, and optometrist/ophthalmologist offices; home-based programs; free and street clinics; school-based assessments; and early intervention services are just a few important ways to meet Pennsylvanians where they are.

When health concerns arise, community-based support can help address potential challenges before they turn into more serious medical conditions. Specialty care can diagnose, treat, and cure chronic disease. Timely acute care can attend to conditions before they become crises. Long-term, nursing, and home-based organizations can provide the right level of care at the right time and are fundamentally necessary for patients to be able to move seamlessly through all the services they need, when they need them.

It takes an array of connected providers to support communities. Hospitals are the anchors and the safety net at the end of the continuum. By choice, by mission, and by law, hospitals treat every person who arrives in our EDs, no matter their circumstances.

Our EDs are strained to the breaking point. In addition to unexpected injury or illness, some patients default to the ED for primary care when it is not otherwise available to them. Many patients' health conditions, which could be managed with primary and specialty care, remain untreated until they escalate into emergencies.

Some patients must wait in our EDs for days because too many acute care beds are occupied by patients who no longer need hospital services, but cannot be discharged as they wait—too often for months—for long-term, nursing, or community placements. An alarming number of patients stay in our EDs for weeks or longer because the essential behavioral health care they need is simply not available.

In too many communities, even the patients who experience unexpected injury or illness can arrive at the ED in even greater distress because—despite their best and often heroic efforts—emergency medical and transportation services are struggling to be able to respond as quickly as they know is necessary.

The growing crisis before us is that the commonwealth's health care continuum is losing its elasticity. We do not have enough programs, services, or providers to help Pennsylvanians avoid crisis. Then, we do not have enough programs, services, or providers to help patients effectively recover or manage their lives following a crisis. This is particularly true for those living with complex physical and behavioral health challenges.

I would like to highlight three specific ways in which you can take immediate action to stabilize the whole continuum of care, including hospitals:

- ✓ **Address Pennsylvania's health care workforce shortage, which is among the most persistent and severe in the nation.**

- ✓ **Update public payor reimbursement rates to reflect reality and shore up the continuum of care.**

- ✓ **Make it easier for Pennsylvanians to connect with health care providers.**

Address Pennsylvania's health care workforce shortage, which is among the most persistent and severe in the nation.

Pennsylvania is in a health care workforce emergency. The commonwealth has twice the number of primary care health professional shortage areas than the region's average and a third more than the national average. It is estimated that we will need at least 1,000 more primary care physicians within the next six years. A March of Dimes report identified 17 rural Pennsylvania counties as maternity care deserts or as having only moderate access to obstetric care. Mercer projects that by 2026, we will have the largest shortfall of registered nurses in the nation (20,345) and the third largest shortfalls of mental health professionals (6,330) and nursing support staff (277,711). Community- and home-based providers continuously struggle to find and train enough staff to meet their communities' needs.

These challenges have been years in the making and won't be solved overnight.

Hospitals are aggressively working to develop, recruit, and retain a robust and diverse workforce. Nearly all are increasing base pay, offering flexible work schedules, and providing tuition reimbursement and professional development in an effort to recruit and retain health care professionals. Many have implemented bonuses to recruit and retain staff and 39 percent are even providing childcare, which is significantly higher than the 6 percent of employers doing so nationwide. Nearly all Pennsylvania hospitals are working with four-year colleges/universities, community colleges, and high schools. More than half are also working with technical programs and community organizations.

One health system, for example, is developing a bilingual workforce by partnering with educators and Latino community organizations to provide English language and General Education Development classes along with training for health care careers. Others are working with local high schools to offer specialized training for health careers so that interested students can graduate with skills and job offers in hand—and then continue to receive support to advance their careers once they are hired. Others are focused on developing a workforce that reflects the diversity of its community by providing targeted support to students from underrepresented backgrounds and helping them address barriers as they train for and begin working—and advancing—in health care careers.

Hospitals are also innovating to better support patients and providers, advancing models such as team-based care, virtual nursing, hospital-at-home, and telehealth. For example, the number of licensed practical nurses in hospitals supporting patient care through team-based models has increased 68 percent statewide since 2020.

Despite these efforts, hospitals are consistently reporting double-digit vacancy rates among key positions. Because patient safety is the paramount concern, hospitals statewide are routinely delaying procedures when safe, closing beds as needed, and cutting back on service offerings to mitigate the realities of short staffing. While unfortunately necessary, these measures diminish access to the timely care we strive to provide.

Public Investments Needed

> While every component of the continuum is doing the best it can, most simply do not have the scale or flexibility needed to both innovate and continue providing services to their communities. Broadly growing the health care workforce across all necessary disciplines requires public policies and sustained investments.
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> Health care provides good jobs that do essential work needed by every Pennsylvanian. Hospitals are only one segment of the continuum and, even so, are the top employers in 21 counties. Hospitals statewide employ more than a quarter of a million Pennsylvanians and pay more than $19.5 billion in wages. A helpful step to bolster this vital economic sector would be to expand the Pennsylvania Targeted Industry Program by including four-year pre-physician assistant programs and bachelor's degree programs in nursing, public health, and community health (House Bill 262).
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> A strong health care workforce is also critical to the overall vitality of the commonwealth and our communities. People want to live and work in communities where they can access the health care they need. Employers rely on strong, local health care to maintain a healthy—and productive—workforce. It's easy to see how health care deserts can quickly become economic deserts. As the General Assembly and administration consider strategies to strengthen Pennsylvania's economy, we urge you recognize that health care access is vital to these efforts.

Nursing Education

Another significant opportunity for public policy to make a meaningful difference across the continuum is to address statewide shortages of nursing faculty and clinical education space. Many of Pennsylvania's nursing programs report that they are currently denying or wait-listing qualified applicants because they do not have the instructors or clinical resources to accommodate them.

The lack of educators is, in part, due to financial disincentives for practicing nurses to teach. On average, advanced practice nurses earn $120,000 at the bedside annually while master's level educators earn about $84,000 a year. HAP encourages the General Assembly to mitigate the earnings disparity between nurses who practice and those who educate, explore time-limited flexibility in credentialing requirements to teach nursing, and invest in clinical education infrastructure.

HAP also supports the development of a grant program to encourage more experienced nurses to serve as preceptors in a wide array of clinical settings, including Federally Qualified Health Centers (FQHC) and other rural care sites. Along these lines, Senate Bill 817 creates a primary care workforce initiative that provides grants to expand opportunities for medical, dental, and nursing students to complete clinical rotations at FQHCs.

Commonsense Improvements

Immediate, commonsense steps that you can take include:

- Fixing a discrepancy in current Pennsylvania law by clarifying that nursing education programs be certified by a U.S. Department of Education-accredited organization, which includes both regional and national accreditation agencies (House Bill 1403)

- Removing a redundant process by which the State Board of Nursing must currently review and approve applications for a student's ability to sit for the state licensure exam (House Bill 590)

- Authorizing, in limited instances and specific settings, trained nursing assistants to become "certified medication aides" (Senate Bill 668)

- Allowing required face-to-face interviews of direct care workers to be conducted using real-time, two-way video (House Bill 155)

- Increasing the number of and support for J1 visas to empower hospitals to recruit more international professionals

HAP also encourages you to consider opportunities to remove unnecessary barriers between well-qualified providers and patients, such as the reforms accomplished through House Bill 1825 and Senate Bill 25, which allow proven nurse practitioners who have safely cared for patients for at least three years or 3,600 hours to work without a formal physician collaboration agreement.

Behavioral Health

There are specific challenges to Pennsylvania's behavioral health care delivery system. Several reports—including the Legislative, Budget and Finance Committee Community Mental Services Report (February 2021) and the Joint State Government Commission's Behavioral Health Care System Capacity in Pennsylvania and Its Impact of Hospital Emergency Departments and Patient Health Report (July 2020)—have found that, too often, people who need complex care cannot access it.

HAP supports Governor Shapiro's budget proposals to invest an additional $20 million in community-based mental health services and to make substantial strides forward to address low payment for essential providers within the intellectual disability and autism communities.

We also support legislation introduced by members of both parties and from both chambers to help strengthen the mental health delivery system, including:

- Making investments in developing additional behavioral health professionals and building capacity in behavioral health programs across the state (House Bill 849)

- Extending the reach of current providers by integrating mental health screening and services in primary care settings (House Bill 24 and Senate Bill 445)

- Supporting hospitals as they seek to transfer patients to appropriate care settings in a timely manner, allowing hospital-based providers to more quickly care for additional acute care patients (House Bill 22 and Senate Bill 606)

Retaining Providers

We need to ensure we are keeping providers in Pennsylvania. HAP supports expanding—not cutting—and updating student loan repayment programs for front-line nurses and primary care providers, with an emphasis on supporting rural areas. Ohio, New Jersey, and New York, for example, reimburse up to $120,000 while incentivizing work in underserved areas. Data shows that 80 percent of recipients stay in these communities.

It is also important to note that the medical liability climate in Pennsylvania is compounding the already serious provider shortage. A rule change by the Pennsylvania Supreme Court that took effect last year upended legal reforms that had stabilized liability for the past 20 years. Now, medical liability claims from anywhere in Pennsylvania can be moved to places like Philadelphia and Allegheny counties, which have documented histories of higher payouts. Case in point: Attorneys filed 544 cases in Philadelphia last year, a 33 percent increase from the average annual caseload in the three years before the pandemic.

This practice, known as "venue shopping," forces providers to travel hours (taking time away from patient care) for potentially erroneous proceedings and significantly increases insurance costs for rural practitioners, especially in highly needed specialties, such as obstetrics. Last week, one rural hospital testified before the House Health Facilities Subcommittee that it pays on the order of $75,000 per year per obstetrician in insurance costs, a sum that strains their already limited finances.

We cannot afford additional—and, for 20 years proven unnecessary—impediments to practicing medicine in the commonwealth. We urge you to revive the work done by all three branches years ago: please immediately reach out to the Governor and to the courts to address venue shopping.

Update public payor reimbursement rates to reflect reality and shore-up the continuum of care.

Hospitals nationwide are straining under the weight of severe financial challenges as they emerge from the largest, paradigm-shifting health crisis in more than a century. Workforce shortages, record inflation, rising drug costs, continued threats to programs like the 340B drug program, and supply chain disruptions have skyrocketed the cost of providing treatment, while payments from Medicare, Medicaid, and commercial insurers have not kept pace. At the same time, more patients are presenting with more advanced diseases, which requires more complex care.

According to the Pennsylvania Health Care Cost Containment Council, 39 percent of all Pennsylvania's general acute care hospitals operated at a loss in fiscal year 2022. Another 13 percent posted operating margins between 0 and 4 percent, which is not sufficient for long-term sustainability.

Rates Don't Cover Costs

> Studies show that Medicaid pays hospitals just 81 cents on the dollar for the cost of delivering care—a figure that was derived before the pandemic, workforce crisis, inflation, and other stressors—while Medicare pays 84 cents on the dollar. And while it's a dramatic oversimplification because there are many types of hospitals, on average, 50 percent of Pennsylvania's general acute care hospitals' net patient revenue comes from these sources.
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> Let me say that again: On average, a hospital has an operating loss of 16 to 19 percent built into half its operating budget.
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> That share is higher for rural hospitals and for some urban safety-net hospitals. As of fiscal year 2022, rehabilitation hospitals rely on public payors for about 72 percent of their revenues and hospitals that specialize in psychiatric or substance use treatment rely on public payors for 74 percent. This kind of structural deficit is unsustainable.

I offer hospital-specific data because that is my role, but we must acknowledge that—along with the workforce emergency—structural, chronic underfunding is among the largest threats to Pennsylvania's entire continuum of care.

In December, 33 provider organizations wrote a letter to Governor Shapiro asking for help in this year's budget. Home care, nursing care, care for people with developmental disabilities, and others all need reimbursement rates sufficient to be able to attract and retain high-quality caregivers and adjust to the realities of today's prices. As one example, the Living Independence for the Elderly (LIFE) program's public reimbursement has increased by less than 3 percent over the past 15 years. We all know that is nowhere near enough to accommodate the increase in labor, inflation, transportation, therapy support, and other costs over that period.

Health care is a continuum that includes a wide array of essential providers and services. A single failing element stresses all of the other components. Multiple failures threaten to collapse the entire system.

If we are not adequately supporting programs that allow healthy seniors to choose to live at home, then we are increasing dependence on nursing homes, which are not sufficiently funded to recruit and retain staff to keep their beds open, and so on.

Public Rate Activity Affects Private Payments

There is a crucial market dynamic that further increases the importance of rational rate setting in public fee-for-service payments. The reality is that the thresholds set in public programs become the de facto baseline expectations for managed care organization payments and have strong influence on negotiations by private companies.

And, while addressing fee-for-service rates is critical to the continuum, so is exploring alternatives to them.

Even before the current stressors, 33 rural Pennsylvania hospitals reduced services or closed completely within the last two decades. It is challenging, if not impossible, to achieve economies of scale and cover high fixed operating cost requirements when

there is low payment volume and disproportionate dependence on Medical Assistance payments.

Five years ago, five hospitals and five payors began working together to pilot a new rural health care payment mechanism and delivery model. Initially funded by the Center for Medicare & Medicaid Innovation, the Pennsylvania rural health model allows hospitals to step off the fee-for-service hamster wheel and focus on what their communities actually need. It provides participating hospitals with stable, predictable funding that empowers them to truly transform the care that they provide.

The model has grown to 18 hospitals and six payors. It has cared for more than one million covered lives. Participant hospitals are estimated to reach 10 percent of the state's population and contribute $2.4 billion in economic activity. This success demonstrates what state policymakers, hospital leaders, and committed payors can accomplish when incentives and priorities are aligned.

The rural health model was a pilot and much has been learned. The resounding message from the health care community is that Pennsylvania policymakers must act now and with great urgency to develop a path forward upon this year's conclusion of the program. HAP stands ready to provide both the leadership and support necessary to move this work forward.

Make it easier for Pennsylvanians to connect with health care providers.

To maintain an effective continuum of care, patients must be able to connect with and move between the providers and services they need. Effective health care meets people where they are and is delivered by caregivers who understand their concerns. Community-based, in-home, mobile, drop-in, street, crisis-intervention, and free care are literal lifelines to many Pennsylvanians. They must be considered essential components of the health care continuum.

Adequate Networks

The most effective way to connect Pennsylvanians with health care providers is to ensure that every Pennsylvanian has health insurance and that every insurer—public and private, physical and behavioral health—is held accountable for developing and

maintaining an adequate network. Both the array of covered services as well as number and diversity of providers are important for network adequacy.

Geographic 'care deserts' for specific services, long wait times to schedule basic appointments, and/or an inability to move between providers may possibly be early warning signs of network inadequacy. Payors must be negotiating contract terms that are sufficient to retain providers that are realistically available to the insured.

Many hospitals have added whole teams of professionals to coordinate patients' post-hospital health care. Even with these dedicated, knowledgeable resources, hospitals struggle to find timely placements for patients who need skilled nursing, rehabilitation, or other post-acute care. Discharge delays can be counterproductive to a patient's health; are frustrating for families; and are demoralizing to hospital staff. Discharge delays also impede hospitals' abilities to treat other patients who need care.

Telehealth

Telehealth has proven to be one valuable tool for eliminating barriers to specialty care; treating patients who cannot reach or have difficulty reaching in-person care (due to geographic distance, mobility restrictions, work obligations, or transportation limitations, for example); expediting scheduling; and increasing the number of patients who can be treated.

Many providers pride themselves in caring for members of their communities "where they are." Increasingly, patients expect their providers to be online and to offer telehealth for both physical and behavioral health appointments. Pennsylvania must ensure that payment cannot be denied simply because care is provided via telehealth. HAP supports Senate Bill 739, which accomplishes this goal.

For telehealth to be an effective option, broadband must be improved in rural communities. HAP supports the Pennsylvania Broadband Development Authority's work to deploy more than a billion dollars in federal aid and distribute funding for projects in underserved areas, including for community anchor facilities and access to devices for end-users.

Transportation

Transportation is vitally important to the health care continuum in two ways. The first is by connecting patients to the care they need in both routine and emergency situations. The second is by moving patients from one care setting to another when they cannot transport themselves.

The framework for providing non-emergency medical transportation can be extremely confusing between transit agencies, senior services, nursing providers, managed care organizations, and others. Patients frequently cancel or "no show" for appointments due to lack of transportation, often exacerbating their health challenges. Some patients are forced to spend extra (unnecessary, costly) days in the hospital while care coordinators strive to find and schedule available transportation to move them to a skilled nursing facility or home.

According to the Department of Health, Pennsylvania had more than 1,250 emergency medical services (EMS) agencies that responded to 2.4 million calls for service in 2021. These robust numbers belie the funding and workforce crisis in this essential component of the care continuum. More than 2,600 EMTs were part of 4,000 overall EMS certifications that were not renewed in 2021. The subsequently longer response times jeopardize both in-crisis Pennsylvanians and first responders.

HAP thanks the General Assembly for last year's action to increase ambulance payment rates and the Shapiro administration for allocating $1 million in tuition assistance to help recruit and retain EMS providers. We also support the Governor's budget proposal to increase the Fire and EMS Grant Program to $60 million.

Thank you, again, for including me in today's important discussion. While there is no "silver bullet," this testimony considers an array of interventions—some championed by Republicans, some by Democrats, some from this chamber, some from the Senate, and some put forth by the administration—that, taken together, can make important strides toward achieving our shared goal.

The hospital community is eager to work with you. Please call on us.