Comments for the Public Hearing on Hospital and Healthsystem Sustainability in Pennsylvania Submitted to: Senate Institutional Sustainability and Innovation Committee

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Chairperson Farry, Democratic Chairperson Kearney, and Committee Members:

AHN Forbes Hospital in Monroeville, Pa., and AHN Allegheny Valley Hospital in Natrona Heights, Pa., are both in Allegheny County — but they are very different hospitals, serving very different populations. One (Forbes) is a regional suburban medical center with a high case-mix index that was built within the last 50 years; the other (Allegheny Valley) is a small mill-town hospital that has been serving its community for more than a century.

But despite their differences, they both face many of the same critical challenges, which threaten the affordability, stability and long-term accessibility of health care in and for our communities. While Allegheny Health Network's commitment to providing exceptional patient care remains unwavering, the confluence of systemic issues is placing unprecedented strain on our hospitals, jeopardizing our ability to serve our mission.

The Crisis of Financial Sustainability

The financial health of Pennsylvania's hospitals is in a precarious state. For too long, we have operated under a system that inadequately reimburses us for the essential services we provide. The combination of persistently low Medicare and Medicaid reimbursement rates, coupled with rising operational costs, creates a perfect storm of financial instability.

This is especially true in low-growth and no-growth areas such as western Pennsylvania — decades of outmigration, natural population decline, and aging populations have led to fewer patients for hospitals, with a suboptimal payor mix. This shortfall places a disproportionate burden on hospitals serving rural and vulnerable communities, which is one reason so many hospitals have closed in

Western Pennsylvania over the last three decades. In just a 10-year period, from 2000 to 2010, 11 of the 39 hospitals serving the Greater Pittsburgh Region closed (Mercy Providence, St. Francis Central, St. Francis Medical Center, UPMC South Side, UPMC Aliquippa, AHN Suburban, UPMC Braddock, Citizens General, Monsour Medical Center, Jeannette Memorial, and Brownsville General). Since then, several more have closed their doors — and just last month, Heritage Valley Health System announced that it would be closing its Kennedy Township hospital, near Pittsburgh.

The cost of maintaining the aging facilities and providing increasingly complex care is escalating. The cost of everything from pharmaceuticals and medical supplies to utilities and insurance has skyrocketed in recent years. Supply chain disruptions, inflationary pressures and the COVID-influenced spike in labor costs have only exacerbated these challenges. These rising costs are particularly damaging when coupled with fixed or slowly increasing reimbursement rates. Absent volume growth or revenue growth, hospitals are forced to absorb these losses, impacting their ability to invest in essential infrastructure, technology, and workforce development.

Ultimately, some of them are forced to close.

In a vacuum, an isolated hospital closure may not be an inherently bad thing. When a region is over-bedded, for example, a hospital closure can help the surviving hospitals capture more volume and remain financially solvent. But when looking at the big picture, the closures demonstrate the systemic inadequacies and inequities of our health care financing system. And while the financial sustainability issues may be most acutely felt in more rural areas, in truth, no region, no hospital, and no health system is immune from pressures tied to chronic underpayments.

The Weight of Burdensome Regulations, Construction Mandates

Pennsylvania hospitals operate under a complex web of state and federal regulations, construction mandates and compliance requirements. While we recognize the importance of ensuring patient safety and quality of care, the sheer volume and complexity of these regulations impose a significant financial and administrative burden on our institutions.

Many regulations are overlapping or duplicative, requiring hospitals to expend considerable resources on compliance activities that add little to patient safety or quality of care. The administrative burden associated with these regulations diverts

resources away from direct patient care and innovation. Additionally, Pennsylvania has stringent construction mandates for hospitals that significantly inflate the cost of building new facilities or renovating existing ones. While these mandates are intended to ensure safety and quality, they can also deter hospitals from making necessary infrastructure improvements.

We've experienced the weight of these burdens recently at AHN. For example, historically, hospital-based dialysis rooms haven't been equipped with patient restrooms, because the patients often aren't producing urine, or have undergone urinary catheterization. But new hospital building standards recommended by the Facility Guidelines Institute require these new spaces to now be outfitted with restrooms, and because Pennsylvania (like most states) has adopted FGI guidelines, either we are forced to pay for unnecessary construction, or we are forced to delay our project as we wait for a state waiver.

A similar situation occurs when we try to upgrade our urological ORs. Historically, these suites have been smaller. But due to the current FGI regulations, the rooms need to be expanded if AHN is going to install new equipment — something that is needed, because the equipment is outdated.

Another example can be found in regulation pertaining to Class 2 Imaging Rooms, which are imaging rooms designated for patient care that may require disinfected or sterile instruments. This is also where we would provide mammograms that are accompanied by needle-localization biopsy. These rooms now require significant enlargement and positive air pressure because the "skin is pierced," even though there is no clinical difference between the needle-localized biopsy or a blood draw or joint aspiration. Again, in this case, a hospital would be forced to decide between absorbing unnecessary expense tied to an irrational facility guideline, or asking for a waiver from the state, which may take 5 to 8 weeks.

Maintaining the safe operations of aging facilities requires tremendous expense as it is. Adding unnecessary expense on top of it makes it difficult for hospitals — especially older hospitals, smaller hospitals, or those that have trouble borrowing money because of their credit rating — to make needed investments in a timely fashion. Often, the price tag is driven up so high that it becomes impossible to commit to a project.

The Workforce Crisis

Pennsylvania, like the rest of the nation, is facing a significant healthcare workforce shortage. This shortage is particularly acute among nurses, physicians, and other allied health professionals. The combination of an aging workforce, shifting patient demand, and high levels of burnout is creating a perfect storm that threatens the ability of hospitals to provide timely and high-quality care. At AHN, for example, we have some hospital units that are empty not because we lack patient demand, but because we can't staff them.

The COVID-19 pandemic exacerbated the issue. Suddenly, we weren't competing regionally for nurses — we were competing nationally and internationally, against traveling staffing agencies and virtual tele-nursing companies. Telehealth has proven its value in expanding access to care, especially in rural areas, and can also be leveraged to reduce the workload on frontline staff. Remote monitoring, virtual consultations, and online patient education can help manage chronic conditions, prevent hospital readmissions, and empower patients to take control of their health. These are all positive trends — but the availability of at-home and remote work makes our recruitment efforts that much more difficult. We are also experiencing significant shortages and competition in physician specialties, especially anesthesia and urology and medical specialties, such as nephrology and endocrinology.

At AHN, we continue to invest in our workforce, as well as in technology and equipment that can automate workflows, improve efficiency, and reduce the risk of errors. But these investments aren't possible without a sustainable economic model.

The challenges facing Pennsylvania's hospitals are complex and multifaceted, but they are not insurmountable. By working together, we can find solutions that ensure the long-term sustainability of our hospitals and protect access to quality healthcare for all Pennsylvanians. This requires a collaborative effort involving hospital leaders, insurers, community stakeholders, innovative technology providers, and — importantly — policymakers. We must be willing to embrace change, challenge the status quo, and prioritize the needs of our patients and caregivers.

The future of our community and urban hospitals, the future of healthcare in Pennsylvania, and the health of all Pennsylvanians depends on us getting it right.