



The Hospital + Healthsystem  
Association of Pennsylvania

*Leading for Better Health*

Statement of

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**The Hospital and Healthsystem Association of Pennsylvania**

for the

**Senate Institutional Sustainability and Innovation Committee**

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Good morning. Chairman Farry, Chairman Kearney, members of the committee, thank you for having us here today. This could not be a more timely hearing.

My main message today is that the hospital community in Pennsylvania is in a very fragile state and the solutions to prevent future hospital closures have to be forward thinking, comprehensive, and innovative.

The future of Pennsylvania's health care system is at risk.

You are all well aware of the Pennsylvania hospital bankruptcies and service line closures that have been in the headlines so far this year and the very real threat to access to care in many communities. What's less visible is how close so many other hospitals across the commonwealth—especially in our rural communities—are to a breaking point. Many are facing multi-year operating losses. Many are one funding cut, one disruption like we saw with last year's Change Healthcare cyberattack, one nuclear verdict in a medical liability case away from having to make difficult decisions about services or, in the worst cases, close their doors.

When hospital closures are announced, other hospitals in nearby communities are often called upon and expected to step in to help ensure that access to care is maintained. And time and time again, they have—that's their mission. The concerning question we face today is who will step in to help when the entire hospital field is facing profound strain and uncertainty.

I'd like to highlight for a moment what's at stake.

Hospitals are vital to the health of our communities—providing around-the-clock care and leading efforts to improve community health. During fiscal year 2023, Pennsylvania hospitals provided nearly \$10 billion in community benefits, generated a \$186.5 billion economic impact, and supported more than 627,000 jobs for Pennsylvanians. Supporting one in every nine Pennsylvania jobs, they are often the top employers in their communities.



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People want to live in communities where they can access emergency care and services they need, like maternal health care. Businesses locate and grow in communities where they have a healthy, local workforce. Having a strong hospital in a community is a prerequisite to economic development. Conversely, it's easy to see how health care deserts can quickly become economic deserts.

For these reasons, the challenges we are talking about today aren't *hospital* challenges; they're *community* challenges. We cannot have healthy, vibrant communities in Pennsylvania without strong, financially stable hospitals.

Today, I will outline specific challenges Pennsylvania hospitals face and solutions to protect access to care in our communities.

### **Challenges**

#### *Financial stability*

In the absence of a public health system in Pennsylvania, hospitals are consistently asked to do more, with less.

- They are who the public and government turned to during the COVID-19 pandemic.
- They are who many in rural communities rely on to get their primary, pediatric, and maternal care.
- Because there are not enough behavioral health services to meet community needs, individuals in crisis often go to their emergency department to seek care. Those with complex needs often wait days, a week or longer, to be transferred to the appropriate setting for the behavioral health care they need.

And yet, from community hospitals to academic medical centers, these community anchors 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.

Let me outline the financial landscape for you:

- According to the most recent data from Pennsylvania Health Care Cost Containment Council (PCH4), just more than half of the commonwealth's acute care hospitals are operating in the red. Another 15 percent operate with margins less than what's considered sustainable long-term.



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- The share of hospitals experiencing multi-year losses is increasing. A third had a negative three-year margin for fiscal years 2021–2023.
- Hospitals that receive more than half their patient revenue from Medicaid and Medicare are more than twice as likely to have a negative operating margin.
- On average, Pennsylvania hospitals are only reimbursed 82 cents for each dollar they spend caring for patients covered by Medicaid. Rural hospitals receive even less.
- From 2022 to 2024, general inflation rose by 14.1 percent, while Medicare inpatient payment rates increased by only 5.1 percent, amounting to an effective payment cut over the past three years.
- CMS is proposing to raise Medicare payments for inpatient hospital services by only 2.4% next year—the lowest rate since 2019.

This is not sustainable.

### *Regulatory compliance and administrative burden*

Health care is a highly regulated industry. To be clear, the hospital community appreciates clear and defined parameters within which it provides care. The federal government, third-party accreditation entities, and the state all regulate hospitals.

However, Pennsylvania’s hospital regulations have not been updated since the 1980s and therefore do not reflect evolutions in technology and care delivery. This means that the Department of Health is enforcing hospital oversight on a structure of waivers and exemptions with interpretations that differ from region to region. There are oftentimes competing, conflicting, and duplicative requirements placed on hospitals from each level of oversight.

Hospitals must employ teams of specialists to navigate the ever-changing requirements of regulators, whether that is at the federal, state, or individual level. Lengthy state approval processes can delay access to care and ultimately place additional financial and operational strain on an already stretched industry.

Hospitals must have an additional team of employees in place to ensure they receive payment from insurers for the care they deliver. Whether the payor is Medicaid, Medicare, or commercial insurance, denials, downgrades, and other administrative barriers are becoming increasingly costly to hospitals and detrimental to patients who face delays in care. It is not uncommon for one entity to have more than 100 staff on hand to deal with just one insurer. Similarly, more than half of hospitals nationally report more than \$110 million in unpaid or delayed claims that are at least six months old.

### *Workforce*

You have heard time and time again that we have a workforce supply problem. Access to care hinges on having the robust provider workforce needed to deliver care. And we’re not just



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focused on meeting today's needs. We need to build the workforce of tomorrow that will meet a growing need for care as the commonwealth ages.

Our most recent survey found that statewide:

- Hospitals have cut turnover for direct care professionals by 32 percent since 2022 through strategies such as competitive pay increases, tuition reimbursement, professional development, flexible scheduling, bonuses, and even going as far as to provide childcare.
- Hospitals are also partnering with educators to create and strengthen pipelines that develop the next generation of caregivers.
- But there are still double-digit average vacancy rates across clinical roles, including 19 percent for registered nurses and 17 percent for nursing support staff and reaching as high as 30 percent for certified registered nurse anesthetists and 28 percent for surgical techs. Shortages are even greater in rural communities.

Workforce shortages directly affect access to care. Due to workforce shortages, 70 percent of hospitals report increased emergency department wait times and 68 percent report delays in scheduling appointments or procedures. Some have had to eliminate or scale back a service or close beds on a regular basis. The inability to meet staffing requirements in nursing homes means patients are turned away, staying days longer in hospitals despite being cleared for discharge.

Filling today's vacancies is not enough. Pennsylvania Department of Labor and Industry projects that *each year* through 2032, the commonwealth will need 8,890 more registered nurses and 11,232 more nursing assistants to meet a growing need.

### *Medical liability*

I would be remiss if I did not address the medical liability climate in Pennsylvania—considered one of the most challenging nationally. Between the threat of nuclear verdicts and the recent Supreme Court rule change allowing venue shopping, our hospitals are one lawsuit away from closing their doors, and maternal health deserts are expanding. Hospitals' decisions to expand access hinge on the calculus of risk and fewer and fewer independent providers are choosing to stay in Pennsylvania.

Each of these policy areas, while seemingly distinct, impact the viability of local care delivery. Without appropriate support and evaluation of policy implications, hospitals will continue to be on life support.



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### **Solutions**

It is critically important to ensure that reimbursement reflects the cost of providing care. Any other industry would have collapsed by now facing the chronic underpayments that hospitals are routinely expected to absorb.

At the same time, we must take proactive action to address the many factors driving up the cost of care and contributing to operational challenges that strain access to care.

*Create a consistent and reliable regulatory and compliance environment that supports 21<sup>st</sup> century care.*

- The Department of Health is currently going through the process of overhauling hospital licensure regulations. It is absolutely critical that updated regulations support modern care delivery and encourage, rather than hamper, innovation.
- Along with updated regulations, the community needs a consistent regulatory compliance environment statewide so that hospitals have clear and predictable guidelines.
- The General Assembly should study the economic impact of the hospital regulatory environment.
- At the same time, the legislature should not pass legislation that creates additional regulatory burdens that are duplicative or conflict with existing federal or accrediting requirements.

*Support a nursing and physician workforce pipeline.*

- Pass bipartisan legislation (House Bill 157) to create a grant program incentivizing nurses and physicians to practice in rural communities.
- Reform Pennsylvania's medical liability climate to keep providers in the commonwealth beginning with collaboration between the General Assembly, administration, and the courts to reverse the harmful venue rule change that hurts access in rural communities and make commonsense reforms to improve clinician collaboration and community impact.
- Pass legislation that will grow capacity to educate the next generation of nurses by getting more preceptors and nursing faculty into teaching.

*Adopt innovative solutions to strengthen access to care.*

- Special state budget funding to support rural hospitals has been a crucial lifeline—and we greatly appreciate the legislature's support. It is necessary to identify a long-term solution by developing the next-generation sustainable funding model for rural hospitals that will replace the Pennsylvania Rural Health Model.



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- And we must expand infrastructure to free up our emergency departments so that patients can get the right care, at the right time. Let's start with bolstering our crisis intervention network to support behavioral health initiatives.

Thank you for your attention to this critical topic and for the opportunity to testify today. We stand ready to work together to protect access to care for patients and communities. I'm happy to take any questions.