

PA Senate Institutional Sustainability and Innovation Committee

Public Hearing

May 7, 2025

Opening Comments

- Good morning. It is an honor to be here today to speak on behalf of the rural hospitals across the State of Pennsylvania.
- Our hospitals, especially those in rural communities, are the life blood of those local communities and local economies, because in many cases we are the largest employers. We play a significant role in attracting businesses and industry to spur economic development and without hospitals, many small towns would not exist. Having a hospital nearby is a sign of community vitality.
- Let me give you an example, according to the Hospital and Healthsystem Association of Pennsylvania, In Fiscal Year 2023, Penn Highlands Healthcare and its 9 rural hospitals had a total economic benefit of \$1.9 Billion to the Pennsylvania Economy and the rural communities served by Penn Highlands. Over 6,500 employees derive their income from our facilities. We support individuals and families with good jobs and in many cases health insurance benefits.
- I am here today to tell you that rural hospitals are on the brink of disaster without increased support from our State and Federal Governments.

Penn Highlands Healthcare Overview

- Penn Highlands Healthcare was formed in 2011, with a mission to maintain/provide community-based and controlled healthcare in our rural communities.
- Now we are a \$1.0 Billion integrated health system providing a full continuum of care through 9 hospitals, over 150 physician clinics, specialized treatment centers including cancer, heart, lung, brain & spine, and surgery, behavioral health programs, home health and hospice services, long-term care facilities, and retail and specialty pharmacies.
- We serve approximately 650,000 residents across 26 rural counties in Northwest, Central & Southwest Pennsylvania. Many of these areas have some of the oldest populations in the country.

- This is significant because 71% of our patients are covered by Medicare or Medicaid, and the reimbursement shortfalls from these programs are placing unsustainable financial pressure on our system.
- Despite these financial pressures, Penn Highlands Healthcare provided \$19.5 million in charity care in fiscal year 2024.

Financial Stability

- Prior to the pandemic, Penn Highlands Healthcare was able to maintain a small 2-3% operating margin. Today, Penn Highlands Healthcare is operating at a negative 4% operating margin – and has been operating at a negative margin for the last 3 years. Everyone in this room knows, this is not sustainable.
- Major components that have been driving the negative operating margin are labor, supplies and pharmaceuticals. Post pandemic, we saw an increase of 25% in labor costs, 18% in supply costs, and 21% in pharmaceuticals cost. Locums and wage increases were a significant part of the spike in labor cost.
- Another significant component that contributes to the continued negative margin is inadequate reimbursement. For example, in calendar year 2024, Penn Highlands Healthcare provided services to its Medicaid and Medicare populations, leading to a total financial loss of \$39.7 million. Everyone in this room knows, this is not sustainable.
- Penn Highlands Healthcare, like other healthcare providers, may not be able to continue to provide all of the current services due to inadequate reimbursement.
- For example, we've treated approximately 2,500 patients at our Level II Trauma Center since opening in 2023, our Behavioral health program (including drug & alcohol treatment) (189 beds total) has had over 2,500 admissions this fiscal year and our transportation services have provided over 5,200 trips for our oncology patients, behavioral health patients, nursing home residents, etc. Access to these services in rural communities is at risk.
- How do we solve this problem? We need to explore innovative reimbursement models to assist rural health care providers in continuing to care for their patients, i.e. a Pennsylvania Rural Health model that provides cost-based reimbursement or grants for rural hospitals to provide access and sustain critical services.

- The 340B drug pricing program is crucial for rural health systems like Penn Highlands Healthcare to subsidize access for rural/underserved populations to services we provide at a financial loss, i.e. Trauma care, Behavioral Health, Transportation.
 - But since 2020, Pharmaceutical manufacturers have been restricting 340B access, undermining the program's purpose.
 - These restrictions have resulted in an approximate \$20 million loss in 340B revenue for Penn Highlands Healthcare since its peak threatening our ability to provide these services.
 - Since then, 20 states have passed laws requiring pharmaceutical companies to abide by the HRSA rules to protect 340B access at the state level.
 - This is funding that directly impacts our ability to provide care. We need similar protections in PA – and we need them now.

Regulatory Compliance and Administrative Burden

- We need your support to get approval for inpatient tele-hospitalist services in Pennsylvania. We use this technology in our emergency departments which allows mid-levels to communicate with physicians at alternate facility via telemedicine. We ask for the same to be approved at the inpatient level to improve access and care for rural hospitals as well as reduce the financial burden of having a physician available on-site daily.
- There is an increased regulatory burden in Pennsylvania because of a strict Department of Health notification process (60 days) before we are permitted to begin new services/use new equipment. This lengthy notification process delays patient care and access. This also includes the intense process of construction and the plan review. Even a small construction project like moving a door must go through the notification process and be vetted through plan review committee.
- Our nurses are overwhelmed by non-clinical duties. At Penn Highlands Healthcare we have over 40 clinical staff members working on prior authorizations, insurance denials, manual data collection and report submission. This administrative overload pulls them away from patient care when we can least afford it.

Workforce

- Penn Highlands Healthcare currently has a 19.5% nurse vacancy rate (over 250 vacancies) across the system.
- Penn Highlands Healthcare has taken a proactive and innovative approach to begin reducing these vacancies, but it comes at a significant cost. We've recruited 105 international nurses to date at cost of approximately \$20,000 per nurse. We've also partnered with community colleges establishing 9 scholarship programs focusing on 5 professions (Surgical Tech, RN, LPN, Imaging Tech, and Phlebotomy Tech) at a cost of over \$1.0 million per year.

In addition, Penn Highlands conducts in-house clinical training to recruit Patient Care Aides and Certified Nurse Aides. Penn Highlands also developed and subsidizes a Graduate Medical Education program focused on primary care and behavioral health — tailored to rural needs (training 32 physicians).

- But without help, these efforts may not be enough.

Medical Liability

- Rural healthcare facilities cannot withstand the significant financial shock that can be experienced with an uncapped medical malpractice lawsuit.
- Tort reform and venue shopping needs to be addressed in PA.
- These issues affect rural healthcare's ability to provide some services.

Closing Statement

- Thank you for your time and attention today. Rural health care is facing critical challenges. Our hospitals are not just providers of care—they are lifelines for our communities, anchors of local economies, and vital support systems for our most vulnerable populations.

- But without immediate and sustained support, the services we provide are at risk. The financial pressures, workforce shortages, regulatory burdens, and policy challenges we face are not just numbers on a balance sheet—they represent real people, families, and communities that depend on us.

- We urge you to act decisively and collaboratively to:
 - Increase funding to sustain rural healthcare, ensuring that critical services remain accessible to the communities who depend on them.
 - Protect and strengthen the 340B Drug Pricing Program through state-level legislation.
 - Advocate for regulatory reforms that streamline processes, reduce administrative burdens, and support innovative care delivery models, such as inpatient tele-hospitalist services.
 - Invest in workforce development through targeted scholarships, training programs, and incentives to address the critical shortages in nursing and other essential healthcare professions.
 - Support medical liability reform to mitigate the financial risks that disproportionately affect rural providers.

- Your support is essential. The decisions made in this room will determine whether rural hospitals like ours can continue to serve our communities or whether we will be forced to scale back or close our doors. We ask for your leadership, your commitment, and your partnership in ensuring that rural Pennsylvania remains a place where healthcare is accessible, equitable, and sustainable.

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