The Hospital + Healthsystem Association of Pennsylvania

Leading for Better Health

November 27, 2019

The Honorable Richard Neal, Chairman
U.S. House Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Kevin Brady, Ranking Member
U.S. House Committee on Ways and Means
1139E Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Neal and Ranking Member Brady:

On behalf of The Hospital and Healthsystem Association of Pennsylvania (HAP), which represents approximately 240 member institutions, we appreciate the opportunity to provide input to the *Rural and Underserved Communities Health Task Force* as the Ways & Means Committee considers policy options to improve health care outcomes in underserved communities—both rural and urban.

In both rural and urban communities across the Commonwealth of Pennsylvania, hospitals are experiencing challenging dynamics to support their patients' health care needs.

We have long recognized the perilous financial straits facing rural hospitals, and have seen the impact of rural hospital closures.

The recent closure of Hahnemann University Hospital—a major tertiary care center and teaching hospital in Center City, Philadelphia—placed a spotlight on the strain in urban communities. At a recent roundtable discussion convened by Congressman Dwight Evans (PA-03) in Philadelphia, Chairman Neal, you heard Dr. Stephen Klasko, president and CEO of Thomas Jefferson University and Jefferson Health, caution that the dynamics in Philadelphia should be seen as a canary in a coal mine.

In a recent blog, the Centers for Medicare & Medicaid Services (CMS) Administrator Seema Verma pointed to the story of a mother living in rural Iowa who had a high-risk pregnancy that required her to drive 90 miles to a hospital in South Dakota for her 13 prenatal care visits and delivery. Pennsylvanians in rural communities face the challenge of traveling distances for care when rural hospitals are in jeopardy.

In cities like Philadelphia, access concerns relative to urban closures manifest themselves as increased strain on an already stressed infrastructure. Urban patients do not have to travel 90 miles, but they might have to travel 90 minutes, and they may wait for care.

HAP appreciates the opportunity to outline rural and urban dynamics in the state that influence patient outcomes; highlight innovative initiatives to safeguard access to care and address social determinants of health; and speak to timely policy priorities.

Rural Realities

Pennsylvania's 42 rural general acute care hospitals are the primary, and sometimes the only, source of care for 3.4 million rural Pennsylvanians. Twenty-one percent of Pennsylvania's population is rural.

Rural hospitals are often the largest employers, supporting nearly 44,000 jobs in local economies. In fact, hospitals are among the 10 largest employers in 39 of Pennsylvania's 48 rural counties. And importantly, Pennsylvania's rural hospitals contribute more than $6 billion dollars each year to Pennsylvania's economy.

The economic and demographic characteristics of rural communities require special consideration. Rural areas must contend with sparse populations and geographic barriers. They also must contend with significant health professional shortages to address populations who are generally older, sicker, and poorer. They also have a greater reliance on—and thus, vulnerability to—government programs such as Medicare and Medicaid.

Pennsylvania's rural hospitals face significant fiscal challenges as they strive to preserve access to health care in their communities. During fiscal year 2016:

- More than half of Pennsylvania's rural hospitals had negative total margins
- More than 80 percent had total margins below the 4-to-6 percent needed for long-term sustainability, including investments in technology, workforce, and services

Urban Realities

In the context of Hahnemann's closure, HAP looked through the lens of Philadelphia to consider the demographics and economic dynamics facing urban providers.

What does the hospital community mean to the County of Philadelphia?

- 7,073 staffed beds, in 35 hospitals, serving 1.58 million people (12% of Pennsylvania's population)
- Philadelphia hospitals support nearly 107,000 jobs and have a $25.5 billion economic impact, and bring more than a billion dollars in federal research funding into the city

What are the realities for these hospitals?

- A 2.2 percent operating margin, in contrast to 5.6 percent margin for the rest of the state
- These providers are reliant on public payors, more than 50 percent of their payor portfolio is supported by Medicare and Medicaid, with 23 percent of net patient revenue

coming from Medicaid. For some of the hospitals within Philadelphia, that reliance is even more profound

- HAP commissioned the health care economics and consulting firm Dobson DaVanzo & Associates LLC to complete a report about the adequacy of Medicaid program payments to Pennsylvania hospitals. Based upon fiscal year 2016 data, those payments result in a $1.2 billion Medicaid payment shortfall
- Difficult health demographics:
    - 20 percent of adults reporting fair or poor health
    - 32 percent of children living in poverty
    - 24 percent of households facing severe housing problems
    - Four times the prevalence of HIV and nearly three times the rate of chlamydia as compared to the state
    - Higher child and infant mortality rates as compared to the state, and a significantly higher drug overdose mortality rate

Innovative Initiatives

Initiatives are underway in Pennsylvania to stabilize rural hospitals, and address the social determinants of health that play a significant role in health outcomes.

Pennsylvania Rural Health Model—During January 2017, CMS and the Commonwealth of Pennsylvania announced the launch of a new, voluntary "Rural Health Model." Under the pilot, CMS and other participating payors pay the participating rural hospitals on a global budget to cover all inpatient and hospital-based outpatient items and services. This upends the unsustainable fee-for-service dynamic whereby hospitals are paid according to utilization—in communities where the hospital already faces low volume and often a declining patient population.

Under this new model, hospitals are provided the certainty of a fixed amount of funding for a fixed period of time, and can turn their attention and resources to preventive care and more closely tailoring services to the needs of the local community. Participating hospitals are required to plan deliberate changes to redesign the care they provide in order to impact the largest health needs in their community. Achieving gains in population health requires participating hospitals to be directly engaged in addressing the social determinants of health impacting their patients and communities.

Five hospitals and five payors participated in year one of the model, which began on January 1, 2019. The state is poised to announce eight new hospital participants, and one new payor for year two.

Addressing Social Determinants of Health—HAP has initiated a statewide effort to support Pennsylvania hospitals in identifying strategies to address the economic and social conditions that impact health. In working sessions facilitated by HAP this spring, health care and

community stakeholders convened to review innovative and effective programs that are making an impact in addressing housing and food security, and embrace the changing role of hospitals and health systems to promote health equity.

One specific example of that body of work is an initiative to make progress toward the goal of addressing food insecurity among vulnerable, at-risk patients in southeastern Pennsylvania.

Having identified food insecurity as a significant community health need in the Philadelphia region, the COACH (Collaborative Opportunities to Advance Community Health) collaborative has facilitated a partnership of participating hospitals and health systems, supported by diverse community stakeholders, to implement a healthy food access pilot that:

- Institutes screening for food insecurity through a validated two-question survey tool administered in the clinical setting
- Tests interventions to improve healthy food access for vulnerable populations and processes for referral to community resources
- Tracks and shares common impact measures

This type of coordinated, collective action in establishing effective systems for addressing the social determinants of health holds promise to demonstrate positive population health impacts.

Timely Policy Priorities

Two core policy priorities remain fundamental in improving health care outcomes within underserved communities: expanding access to comprehensive coverage, and safeguarding crucial payments and resources to support care delivery.

More than 1.1 million Pennsylvanians have benefited from access to coverage as a result of the Affordable Care Act (ACA), and millions of Pennsylvanians have also benefited from consumer protections secured as a result of the ACA—coverage for patients with pre-existing conditions, no lifetime limits, a minimum essential benefits package. Medicaid expansion has expanded health care coverage to over 680,000 individuals in Pennsylvania, and contributed to historic lows in Pennsylvania's uninsured rate, which fell from 8.9 percent in 2014 before expansion to 5.5 percent in 2018.

HAP encourages federal lawmakers to support policy that maintains comprehensive health coverage, including expanded Medicaid coverage; and oppose policies that weaken protections provided under the law and coverage within the health insurance marketplace.

Additionally, payment policy must be a focus in the context of addressing underserved communities. Underlying the dynamics facing providers serving rural and urban underserved communities is persistent underpayment by the Medicare and Medicaid programs. Layered on top of that, federal reimbursement cuts to hospitals and health systems strain a reimbursement

system that already fails to cover the cost of providing care, preventing staff and financial resources from being directed to investing in more effective care delivery.

Congress should take steps to:

- Delay impending cuts to the Medicaid Disproportionate Share Hospital (DSH) program which provides essential financial assistance to hospitals that care for our state's most vulnerable populations
- Reverse recent cuts to hospitals such as site-neutral payment cuts, 340B drug pricing program cuts and Medicare sequestration
- Protect existing programs which are critical for rural and urban hospitals serving vulnerable patients and communities including the 340B Drug Pricing Program, the Critical Access Hospital (CAH), Medicare Dependent Hospital (MDH), Low-Volume Adjustment (LVA), Sole Community Hospital, and DSH programs
- Update payment adjustments and programs which have not kept pace with shifts in care delivery

Importantly, targeted investments can be important to advance key health policy priorities including tackling the opioid epidemic and addressing workforce shortages:

- In the face of the opioid epidemic, HAP applauds the Committee's support for H.R. 3414/S. 2892, the Opioid Workforce Act, which would fortify the ability of hospitals to train more physicians who are specialized to treat patients with substance use disorders and chronic pain. In addition to supporting this targeted effort, Pennsylvania hospitals have advocated for H.R. 1763/S. 348, the Resident Physician Shortage Reduction Act of 2019 to provide Medicare support for an additional 3,000 residency positions each year for five years in order to help stem looming physician shortages
- New investments to improve access to broadband is crucial to expand the use of telehealth, which can be an important tool to help address access to care in rural communities

Thank you for the opportunity to provide input on the Rural and Underserved Communities Health Task Force's effort to identify strategies that address the challenges contributing to health inequities in urban and rural underserved areas. If you have any questions, please contact me or Jeff Bechtel, HAP's senior vice president, health economics and policy.

Sincerely,

Laura Stevens Kent
Vice President, Federal Advocacy