Center for Rural PA Rural Population Change

Written Testimony Submitted by:
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Testimony:

Thank you to the Center for Rural Pennsylvania, and Chairman Yaw, for holding this hearing to provide the opportunity to hear testimony regarding the changing populations in our rural communities which is creating strain on our anchor institutions. Through our work in the Rural Health Redesign Center, we are currently working with 19 rural hospitals in the Commonwealth, 18 within the Pennsylvania Rural Health Model, and one additional distressed hospital through a direct engagement with that organizations. All of these are anchor institutions specific to employment and provision of essential services required to sustain rural communities.

Ensuring access to high-quality healthcare remains in rural communities across the Commonwealth is the RHRC's primary mission, and helping rural communities thrive is our overarching vision. I am extremely proud of the work we have accomplished in a few short years through collaboration and relationships between our participant hospitals, participant payers, various state agencies including the Department of Health, Department of Human Services, Pennsylvania Insurance Department, the Governor's office, the Hospital and Health-System association, the Center for Rural Pennsylvania and other partner organizations. What we are accomplishing collectively in the state of PA is a testimony of what can be accomplished through trust, alignment of purpose and ongoing collaboration by all interested stakeholders.

Through the legislative Act 108 of 2019, and subsequently Act 15 of 2023, the Rural Health Redesign Center Authority (RHRCA) was created to advance the mission of ensuring access to high-quality healthcare remains in rural Pennsylvania. The RHRCA has a governing board of directors comprised of hospitals, payers, government officials, and national rural health experts. The RHRCA was officially formed in May of 2020 and has been governing the Pennsylvania Rural Health Model (PARHM) since its inception. In addition to the Rural Health Redesign Center Authority, a supporting not-for-profit organization was also created, the Rural Health Redesign Center Organization (RHRCO), with the overall vision of supporting the RHRCA and becoming a long-standing resource to rural healthcare leaders to improve the likelihood of the continued existence of rural healthcare institutions. These two organizations, the RHRCA and RHRCO, are collectively known as the Rural Health Redesign Center (RHRC).

The Pennsylvania Rural Health Model was created in 2018 as an alternative payment model with the intention of transforming healthcare in Rural Pennsylvania. The PARHM was developed to address the financial challenges faced by rural hospitals by fundamentally changing how healthcare is paid for within participant communities. The program transitioned rural hospitals from fee-for-service to a value-based payment mechanism of a global budget. The global budgets are funded by Medicare, Medicaid, and Commercial Payers who have agreed to participate in the Model. In exchange for the global budget, hospital leaders are encouraged to shift care focus

from volume-based to value-based allowing them to better meet the needs of their community and improve population health without concern for its impact on their organization's bottom line through demand destruction.

The program maintains participation of three major PA based insurers (Highmark/Highmark Wholecare, UPMC Health Plan, and Geisinger Health Plan), one national payer Aetna, as well as CMS for traditional Medicare beneficiaries.

Eighteen hospitals joined the program and span across fifteen rural counties. These participants include thirteen PPS hospitals including Kane, Bradford, Meadville, Clarion, Punyxatawney, Armstrong, Indiana Regional, Washington, Washington Greene, Monongahela Valley, Highlands Hospital, Windber, and Wayne Memorial; and five critical access hospitals Endless Mountains, Barnes-Kasson, Jersey Shore, Fulton County, and Tyrone. Participants are a mix of independent and system-owned hospitals, and transformation planning is done at the local level through support from technical partners.

It has been estimated that 1.3 million Pennsylvanians reside in the footprint of these hospitals. As we all know, these organizations are not only the healthcare providers, but also the economic engines for surrounding communities. According to a 2019 study completed by the Hospital and Health System Association of Pennsylvania, PARHM participant hospitals are estimated to provide $866 million in salaries and just shy of 18,000 jobs. Overall economic benefit of these hospitals to the Commonwealth through local economies is estimated to be $2.4 billion dollars. This analysis is in the process of being updated by our partners at HAP.

As members of this committee know, however, these hospitals are in some of the most critical communities across the state with unemployment, poverty, and disability rates above the state's rural average, and these statistics are with the hospital anchor institution still being present in the community. Think about how much greater these disparities will become if these institutions close.

Recognizing what these 18 hospitals, and other rural hospitals in threat of closure, mean to the State as a whole, we are dedicated to supporting these organizations to enable them to keep their doors open. Identifying new healthcare delivery methods, and infrastructure, is part of the solution to encourage innovation and creativity to keep viable healthcare services in rural Pennsylvania. Given the PARHM is in its final program year (2024), securing a successor program will be of utmost importance to the Commonwealth. While we have a two-year transition period with the program for CMS, which begins in 2025 and will provide participant hospitals up to two years to remain within the global budget framework, there is no such transition period for the commercial / MCO aspects of the program. Finding a next generation solution to ensure sustainability of these hospitals in 2025 must be pursued with urgency. The AHEAD program, the new CMMI demonstration program that is built on the global budget framework that was tested in PA, was not developed with the goal of rural hospital sustainability. As a result, the Shapiro administration has chosen not to pursue this opportunity at this point, however CMMI remains interested in learning from the Commonwealth regarding rural health sustainability opportunities.

In order to improve the lives of rural communities, it will require a full systems approach to move these communities from merely surviving to thriving. While my current work is focused on the preservation of access to healthcare, improving the lives of the rural residents within these communities will take broader policy reform, including policies that encourage economic development and investment in infrastructure to entice younger populations to move to these communities. As industry has left the rural community, payer mixes have been significantly impacted as government payers have become the predominant payers without sufficient commercial books of business to create positive operating margins for rural hospitals. Having lived in a rural community most of my life, I experienced the impact of the economic decline of my home community as I watched industry leave for more lucrative settings, or companies crumble due to impropriety. I provide testimony from lived experience. I was personally impacted by the demise of Adelphia Communication 20 years ago and watched other regional employers in the southern tier of New York, and the northern tier of Pennsylvania, withdraw without replacement employment and the impacts are still being felt today. While I have spent the predominance of my professional career in Potter County, I lived across the border in New York. I have experienced this first-hand as a rural resident impacted by macro-system events that have far reaching impacts on rural communities. The small rural school that I attended in the southern tier of New York state is currently on the verge of closure. As we all know, rural residents travel for both work and other services, and macro-system impacts are not isolated by state lines, and my home community unfortunately has become the norm doe most rural communities.

As a result, rural hospitals are financially distressed due to significant demographic and economic changes that have had downstream impacts on the healthcare delivery system. With declining populations and industry, it has put the hospital and other anchor institutions in jeopardy. However, we know that sustainability of rural health infrastructure is essential to improving the economic viability of rural communities. Healthcare infrastructure is essential to economic development, as business investors look for communities with strong healthcare and schools to attract talent to their organizations. Strong hospitals have a better chance at attracting primary care physicians and other specialists, as often professionals desire employment arrangements to ensure their own personal viability. In addition, a robust rural economy impacts the ability to recruit physicians as often there is a “trailing spouse” that requires professional employment as well.

The Pennsylvania Rural Health Model has provided a robust learning lab to identify what works, as well as what does not work, specific to rural health payment reform with the goal of maintaining these anchor institutions. I firmly believe we have the knowledge as well as the fortitude within the Commonwealth to solve the challenging problems before us, and I look forward to the continued partnership as we continue to move forward together. I count it a privilege to be leading such meaningful work within the Rural Health Redesign Center on behalf of all our stakeholders and have full confidence we will arrive at collective solutions. The Commonwealth was given a gift to test rural health payment reform through the Pennsylvania Rural Health Model, and the country has learned much from us. However, additional, permanent

solutions are needed as there remains a national crisis, and I believe we have the collective brainpower here in the Commonwealth to create solutions not only for us but perhaps the country. Given the significance of our charge, the Rural Health Redesign Center appreciates the support of the legislature to ensure it can fulfill its mission.

Thank you again, Mr. Chairman, for this opportunity to provide testimony on this very important subject matter, and I look forward to continued conversation.

Respectfully submitted,

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