Honorable Chairman Eddie Pashinski
CC: Honorable Minority Chairman Dan Moul
CC: Committee on Agriculture and Rural Affairs

May 12, 2023

Honorable Chairman Pashinski and Committee Members:

Thank you for the opportunity to address your esteemed body and provide my perspective on the opportunities to not only improve access and overall health for rural populations, but also stimulate community economic and social opportunity. Which is truly at the base of all population health.

These perspectives are my own, based on decades as a physician, health care executive, entrepreneur, and community leader and do not necessarily represent the views of my employer or any of the organizations where I am an executive, board member, or equity owner.

I hope these suggestions and observations can provide a framework and number of actionable policy avenues to repurpose community assets and improve individual and community health, rather than just treating clinical and societal illnesses once it is too late and too expensive.

Given your leadership on this committee, you are aware of the concerning state of rural health, driven by a combination of social, economic, and behavioral factors. However, I want to revisit a few facts to emphasize that while disparities in access and outcomes are certainly cause for alarm, any meaningful progress on overall health in rural communities will be driven by focusing on root causes much further upstream. Furthermore, the underlying causation extends beyond rural Pennsylvania into the urban cores of our state. The defining characteristic of all of these is poverty.

STARTLING HEALTH DISPARITIES, ACCESS CHALLENGES, AND OBSERVABLE FACTORS OF DYSFUNCTION

- Obesity and diabetes are increasing in the United States at an alarming rate with nearly half of the U.S. population expected to be obese by 2030 and 40 million individuals expected to have diabetes by that same year.[1] Rural communities face higher rates of obesity and diabetes, which creates incredible economic stress on families, taxpayers, and the health care system due to higher rates of related chronic diseases. [2]
- Maternal mortality is nearly two times higher in rural areas.[3]
- Rural residents are older on average, with more than 20% being over sixty-five. This results in a more costly and sicker population. [4]
- In 2017, the Association of American Medical Colleges projected a shortfall of 14,100 – 17600 physicians in non-metropolitan areas.

SOCIAL DETERMINANTS OF HEALTH IN RURAL AMERICA

Underlying these health challenges, are the significant social barriers, or social determinants of health, which can account for up to 80% of a person's overall health before they even enter the health care system. These are the systems and conditions in which we live, age, work, worship, and play. In rural America, these determinants often create an uphill climb for communities working to improve overall health.

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[1]Harvard School of Public Health, New England Journal of Medicine, 2019
[2] *More obesity in U.S. rural counties than in urban counties,* CDC, 2018
[3] Harrington et al, American Journal of Public Health, 2023
[4] *Rural America at a Glance,* USDA, 2022

- Food insecurity rates are higher in rural areas than urban areas with approximately 11% of rural households being food insecure. Nine out of the ten most food insecure counties in American are rural. [5]
- The nature of rurality and per capita cost of infrastructure development has long created transportation barriers in rural areas, which magnify health and economic barriers.
- Labor force participation rates among working age adults decreased three times faster in rural areas from 2017 to 2019. [6]
- As has been well publicized, the greater Appalachia region, and Pennsylvania in particular, has been most hard hit by "diseases of despair" such as substance use disorder and suicide. This is further straining public support systems and individual households.

These challenges for rural health must also be understood in the context of larger economic forces impacting the America health industry as a whole. One unifying similarity of this dilemma is the lack of trust the impacted populations have on the institutions upon which they depend.

AN INDUSTRY IN DISTRESS

Healthcare costs have long been rising at a rate that is exceeding inflation and the growth of GDP in the U.S. economy. CMS projects healthcare inflation to be between 5 and 6% annual growth each year for the next decade, compared to the 3 to 4 % of U.S. GDP.[7] Indeed healthcare spending in the U.S. is greater than the 2019 total GDP of all but three countries (China, Japan, and Germany) according to the International Monetary Fund.[8] Based on these projections, healthcare spending will jump from 17 % of the U.S. economy to almost 20 %, or $6.2 trillion, by 2029.

Despite these total cost increases, margins for health systems have continued to shrink. A trend that has only been exacerbated by the global pandemic. In a recent national review of hospital performance Kaufman Hall showed the industry averaged a negative 3 to 4 % operating margin for the first quarter of 2022.[9]

Two intersecting trends have left the American healthcare industry ripe for disruption. First, the digitization and virtualization of medicine is changing when, where, and how patients receive care. Second, the segregation of populations by income level is creating economic catastrophes for many hospitals, as they lose commercially insured patients and take on more Medicaid and Medicare beneficiaries.

Medicaid membership is projected to rise over 8% annually for the next ten years, and the baby boomer generation is aging into Medicare. These demographic, social, and policy changes are combining to create significant headwinds for many hospital systems. Costs that are passed on to employers and their customers as provider systems push for higher reimbursement rates from insurers to offset the losses from Medicaid. [10]

Prior to the pandemic the Pennsylvania Department of Health reported there were fifty-five small sized, rural, and community hospitals (hospitals with less than 150 registered beds) of which forty-four have saw a decrease in inpatient admissions from 2016 to 2018, combining for a 56% loss in total volume. On a national level, these trends have resulted in 117 hospital closures in the last decade. The pandemic added fuel to this slow-burn and nineteen rural hospitals closed in 2022 and as many as five hundred to one thousand more are projected to close nationally over the next decade.[11]

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[5] *Rural hunger facts,* Feeding America, 2023
[6] *Rural Employment and Unemployment*, USDA Economic Research Service, 2022
[7] National Health Expenditure Data, CMS, 2023
[8] World Economic Outlook Database, IMF, 2019
[9] *National Hospital Flash Report, Kauffman Hall, 2022*

[10] *Federal Health Subsidies, CBO, 2020*

[11] *19 hospital closures, bankruptcies in 2022,* Becker's Hospital Review, 2022

WHAT HAPPENS WHEN A COMMUNITY HOSPITAL CLOSES?

When hospitals close, it is not just the access to care that disappears. As with the steel mills of the past, these hospitals are often the largest employers in town. As community pillars topple, high-paying, family-sustaining jobs vanish. In the Commonwealth, we have seen this movie before.

The local economic implications of each hospital closure can be severe. According to the American Hospital Association each job at the hospital supports approximately two additional jobs in the local community and each dollar spent by the hospital supports roughly $2.30 in the community.[12] To further understand that impact, examine a study conducted in 2006 on the impact of hospital closures on the local economy.[13] The principal findings indicated that after a closure, unemployment increased 1.6 % and per-capita income decreased by 4 % when the hospital was the sole acute care provider in the community.

In addition to the economic implications, rural hospital closures also create a significant access gap for many patients. Post closure, the average patient travels over twenty-five miles to receive the care they previously obtained in their local community.[14]

HOW DO WE PREPARE AND EMBRACE FOR DISRUPTION?

The digitization of medicine, which parallels the impact that digital communications is having more broadly, was already eroding the geographic borders of our traditional care model – and that was before COVID-19 made everything in our lives virtual. Overnight, a striking portion of medical visits took place remotely. The virtual evaluation of patients has increased efficiency for some fields, but has created new inefficiencies and occupancy challenges elsewhere, especially for sprawling medical campuses.

If geography does not matter nearly as much when it comes to the practicality of outpatient evaluations, it matters a great deal in terms of the type of patients we care for and the social determinants we encounter. As our country's rich-poor, urban-rural schism continues to widen, hospitals with an outsized share of graying, low-income, socially vulnerable populations simply cannot make the math work.

Rather than trying to hold back the tides, the Commonwealth should prepare for the opportunities and the disruptions looming on the horizon in healthcare. That means not just rebuilding, but reinventing legacy community infrastructure, such as hospitals, so that we may continue to serve our constituents in new ways. The philosophical change is the recognition that health care outcomes are intimately tied to the economics of a population and that embracing a former hospital which was losing money and repurposing for the benefit of a community is feasible. The repurposed facility is a connection point to a larger network of care connected by digital communications which allows much of the space to be repurposed for economically focused development around social determinants. If successful, it is a win-win for patients, citizens, employers, entrepreneurs, governmental supporting structures, and communities in need of economic development.

LESSONS LEARNED AT SUBURBAN GENERAL – BELLEVUE, PA

Suburban General located in Bellevue, Pennsylvania spiraled into decades of economic decline in concert with the death of steel and has survived on life support for the past 15 years. Starting in 2019 we partnered with a state-supported business accelerator to remake the former hospital space into an "innovation hub" for biotech and life-

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[12] *Hospitals are economic drivers in their communities,* AHA, 2018
[13] *The effect of rural hospital closures on community economic health, Health Services Research, 2006*
[14] Rural hospital closures and access to services, National Library of Medicine, 1995

sciences startups. The project has since expanded as a platform for private sector, public sector, philanthropy, and non-profit entities to collaborate on programming and business activities that improve overall economic health and opportunity for the community. Many of the start-ups graduating from the accelerator now occupy the building and have hired new staff. Since inception we have created approximately three hundred new jobs out of this formerly closed hospital.

The model of a sustainable business entity was applied to socially relevant domains so that after an initial investment, they could become partially or totally self-supporting. For example, the industrial kitchen that once served hundreds of patients is now a training and leaning environment for minority run food incubator – Catapult Kitchen. They have nine new businesses in their first cohort and are expecting 15 to 20 in their next cohort set to launch this year. A vacant wing of patient rooms hosts a job training center for a large environmental services company. From this training facility over two hundred jobs have been filled within Allegheny Health Network. Several STEM education-oriented non-profits tied to the robotics, technology, and advanced manufacturing sectors are engaging students from the surrounding school districts and building a workforce that will keep this region competitive and prosperous well into the future.

Not every old hospital will become an innovation hub, as the model must be adjusted for the unique strengths, opportunities, and challenges of each community. There is more to be learned. **Yet, with creative repurposing and strategic investment, these structures can still play a key role in our industry's transformation from a geographically driven "sick-care system" into a digitally driven, 21st century healthcare system**.

AREAS TO EXPLORE FOR POLICY AND FUNDING OPPORTUNITIES.

Through both the state legislative and executive branches and cooperation with Pennsylvania Congressional Delegation at the federal level, members of this committee can help fuel this economic and social renaissance. Pennsylvania's leadership could provide a roadmap for the rest of the country to follow for the restructuring of a 21st Century delivery system. Some recommended areas for research and potential action are listed below.

- **Reinvent Excess Health Infrastructure**
  - Encouraging and incentivizing multi-sector investment in closed and underutilized health infrastructure can help address access issues and support more broad economic development. Rather than using political pressure to prolong the life of failing facilities, we should move aggressively to digitize health access in rural areas as quickly as possible and right-size remaining operations for the population they serve. This could include innovative methods for delivering healthcare where residents can get technical assistance and access to devices and broadband to connect to virtual health solutions.
  - Public, philanthropic, and private investment in broadband and already present amenities in these facilities could allow for them to serve as work and employment hubs. With the massive increase in hybrid or entirely remote positions, young residents can easily work for large corporate employers but reside in rural areas. Pairing these investments with intentional revitalization of main streets can have a multiplier effect on front-line local businesses.

- **Invest in the Health Workforce**
  - Rather than focusing on recruiting specialty surgeons and physicians to rural America, we should focus on investing in health care workers that can operate at the "top of their license" and deal with a large portion of the primary care and social care needs. This should include earlier introduction and focus to career development in partnership with local high schools and

technical schools. Incentives such as tuition matching and forgiveness programs for nurse practitioners, physicians' assistants, medical technicians, and others who commit to a certain number of years practicing in the rural setting could be employed. Further, a cost sharing agreement between the state and health care entities could have multiple levels of benefit for the workforce and communities. Access to specialty surgeons and physicians requires a significant investment in infrastructure and is expensive. Concentrating these resources and connecting them to patients is a different problem but one that is further along in its resolution. The delivery of value-based care implies mitigating the factors which cause disproportionate consumption of resources in the economically distressed populations. This is the fundamental problem to be resolved.

  - One area for intentional focus should be changing the reimbursement status for Community Health Workers (CHWs) under Pennsylvania Medicaid rules. According to one study, in Pennsylvania, every dollar spent on individuals receiving support from CHWs, creates an annual ROI of $2.47 for Medicaid.[15]
  - Federal Qualified Health Centers have proven to be able to provide care to Medicaid populations at lower cost and are often more trusted and culturally appropriate based on local knowledge and connection. Supporting and enhancing their capacity should be a priority.

- **Fund the Entire Innovation to Job-Creation Lifecycle**
  The Commonwealth is well positioned to lead global innovation in med-tech, biotech, digital health, and pharmaceuticals as well as fields such as robotics and advanced manufacturing and is already doing so in many ways. However, in an increasingly competitive domestic and global landscape, there are key actions the state should take to capitalize on this moment of opportunity.
  - Incentivize intentional collaboration between education systems and regional employers around regional centers of excellence in industry and competencies. The example of the relationship between BOTs IQ and the advanced manufacturing sector and its transition from traditional tool and die to high-tech is a strong exemplar. By picking the right sectors and partnerships, this can create regional employment hubs and specialties in more rural areas. The confluence of emerging technology and agriculture is another area where the commonwealth could have a competitive advantage with the right investment strategy.
  - Continue to support the Benjamin Franklin Innovation Funds. Aptly named for the original godfather of innovation in the Commonwealth, these funds have been instrumental in commercializing the translational value of the intellectual property generated in our world class institutions. While much of this industry currently resides in and around Pittsburgh and Philadelphia, retaining these companies in the Commonwealth through their growth and scaling stages should be a priority to create jobs in the state. By understanding and promoting the workforce needs of these sectors, as discussed in the preceding paragraph, this can provide large scale employment opportunities across the Commonwealth.
  - Review PA tax policy for start-ups to attract foreign founded, in addition to homegrown, companies to locate and stay in the Commonwealth, tying incentives to hiring and job-creation. The State of Colorado has aggressively recruited technology companies to relocate from within the United States specifically from New Zealand and from other international innovation hotbeds

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[15] Kangovi et al, 2020

looking to establish US operations. Tax incentives tied to job creation in the state increase for counties deemed as rural and economically distressed.

While the hearing today focused on health issues in rural Pennsylvania, I hope that my testimony has illustrated the critical importance of addressing core issues of economic opportunity and social determinants of health as the critical path to addressing the symptoms of disparate health outcomes for rural communities. By repurposing an historical healthcare institution into a facility promoting the interconnection of social determinants and healthcare we can redesign our healthcare delivery system to match the overall changes of a digital age in both scope and scale. Breaking down traditional barriers to promote health and economic growth only adds to the productivity of the citizens of the Commonwealth. Given the scope of your committee, you are well positioned to tackle these issues comprehensively.

Thank you for your service and leadership to our community and the Commonwealth and the opportunity to share my perspective. I am at your disposal to discuss any of the challenges and opportunities described in this document to help move our collective community and health forward.

Most Sincerely,

Jeffrey K. Cohen, MD