



2021

## The Economic Impacts of PARHM Hospitals

*Inspired by HAP's study into the economic contributions of Pennsylvania hospitals*

PA RURAL  
HEALTH  
MODEL

A Federally-Funded Program

The Model Team

Pennsylvania Rural Health Redesign Center

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## **PREFACE:**

The following report contains an overview of the hospitals participating in the Pennsylvania Rural Health Model (PARHM) and the economic impact these facilities have in their communities and across the state. This report is inspired by the white paper analysis, “*Beyond Patient Care: Economic Impact of Pennsylvania Hospitals*”, performed by the Hospital and Health System Association of Pennsylvania (HAP). This HAP study examined the hospital community’s economic impact on individual regions of the state and on Pennsylvania as a whole.<sup>1</sup>

The Model team has examined HAP’s report in attempt to correlate the findings to PARHM participant hospitals. For the purpose of this study, additional data was also provided by HAP, the Center for Rural Pennsylvania, and the Rural Health Redesign Center (RHRC). These data provide insight into the scope and overall footprint of the program in rural Pennsylvania and the economic impact it is looking to preserve for these communities

This report has been organized by the following areas.

- 1. Summary of Applicable Findings from HAP’s Study**
- 2. Overview of PARHM Participation & Impact**
- 3. Applying HAP’s Findings to PARHM Hospitals**

The following pages will provide insight into the geographic and economic impact of PARHM participant hospitals. The intent of this report is to highlight the significance of the contributions of these facilities as well as the importance of the Model’s goal of keeping these facilities open for the benefit of the community.

## **DEFINITIONS:**

For the purposes of this report, and to ensure concise, easy-to-read narrative, please review the definitions of the following terms.

- **Catchment Area:** The areas in which the impacts of the Pennsylvania Rural Health Model can be seen – communities served by Model participant hospitals, as determined by zip codes.
- **HAP:** Hospital and Health System Association of Pennsylvania
- **PARHM:** The Pennsylvania Rural Health Model – also referred to as “*The Model and/or Program*”
- **Participant Communities:** The catchment areas of participant hospitals - also referred to as “*communities served by PARHM and/or participant hospitals*”
- **RHRC:** Rural Health Redesign Center – the organization responsible for the administration of the program.

## SUMMARY OF HAP'S STUDY

In December of 2020, HAP published a study regarding the economic contributions of Pennsylvania hospitals, both urban and rural, based on 2019 data. Some of the economic contributions that were focused on included total spending, salary, and employment contributions. The total spending contribution category accounts for direct, indirect, and induced impacts of hospital spending. For clarification, below are summary definitions of these various impacts:

- Direct Impact: A hospital's operational spending – wages, supplies, equipment, etc.
- Indirect Impact: Third-party suppliers contracting with hospitals.
- Induced Impact: Spending by hospital employees and third-party suppliers.

In this study, the economic contributions were compiled into regional summaries based on Pennsylvania Health Cost Containment Regions. Below are the economic, salary, and job contributions of all Pennsylvania hospitals per HAP's findings.

### TOTAL HOSPITAL ECONOMIC CONTRIBUTIONS BY PENNSYLVANIA REGIONS

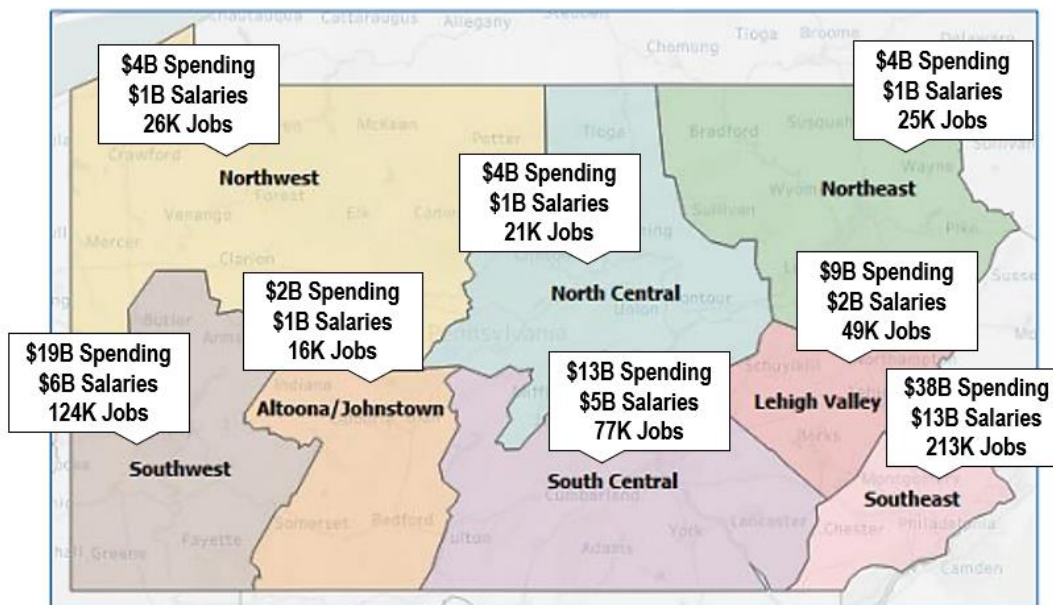


Figure 1: HAP's 2020 analysis of FY 2019 data: *Beyond Patient Care: Economic Impact of Pennsylvania Hospitals*, coupled with the regional map of Pennsylvania provided by PHC4

In order to assess the economic contributions of PARHM participant hospitals exclusively, HAP provided the RHRC with additional data regarding the total spending, salaries, and job opportunities specific to these facilities. The results were then summarized into regional values as well as state percentages.

**Click here to read the full HAP report,**  
[\*"Beyond Patient Care: Economic Impact of Pennsylvania Hospitals"\*](#)



## OVERVIEW OF PARHM PARTICIPATION

The Pennsylvania Rural Health Model (*PARHM*) is an alternative payment model designed to address the financial challenges faced by rural hospitals by transitioning them from fee-for-service to global budget payments. This model aligns incentives for providers to deliver value-based care and provides an opportunity for rural hospitals to transform the care they deliver to better meet community health needs. Program methodology dictates which hospitals are eligible to participate based on whether the county they reside in is classified as rural. Rural, as defined by the Center for Rural Pennsylvania, is a county or school district where the number of persons per square mile within the county or school district is less than 284.<sup>2</sup>

Based on this definition, Pennsylvania has forty-eight rural counties and nineteen urban. Forty-one of those that are rural, contain hospitals that are eligible to participate in the Model.

Within these eligible counties are sixty-three independent and system-based hospitals. Eighteen of which are current Model participants. These hospitals span across fifteen rural regions – *Figure 2*.

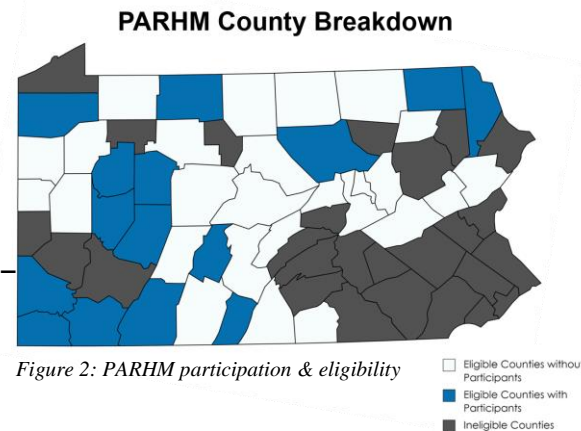


Figure 2: PARHM participation & eligibility

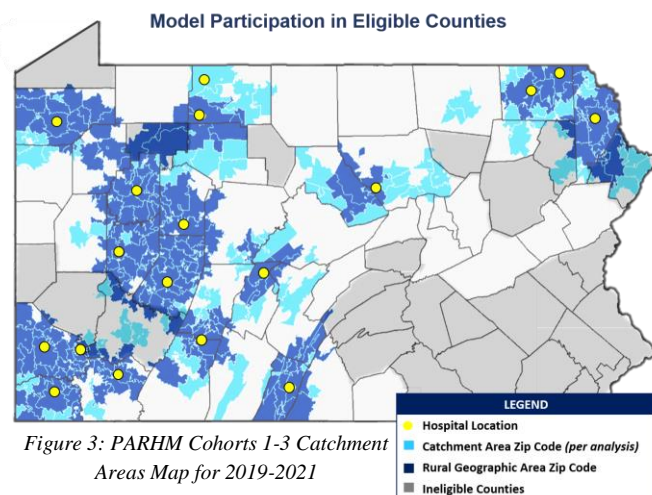


Figure 3: PARHM Cohorts 1-3 Catchment Areas Map for 2019-2021

The Center for Rural Pennsylvania provided the Rural Health Redesign Center with demographic data based on patient zip codes associated with participant hospitals. The populations of those impacted by each hospital is represented in *figure 3* by the blue-shaded regions.

Using this information, it was determined that PARHM impacts approximately 1,338,459 people which accounts for about 10% of the state's total population. It can be seen that the majority of PARHM's impact is in the western half of the state.

As shown, most of the participant hospitals and the populations impacted by them are in western regions, with only five being in central and eastern regions.

In *figure 4*, these impacted communities were assigned to regions based on those used throughout the HAP study. Comparing the demographic data provided by the Center for Rural PA to county populations it was determined that impacts of the PARHM could be seen across approximately 92% of the eligible Southwest region, 67% of the eligible Altoona/Johnstown region and 40% of the eligible Northwest region.

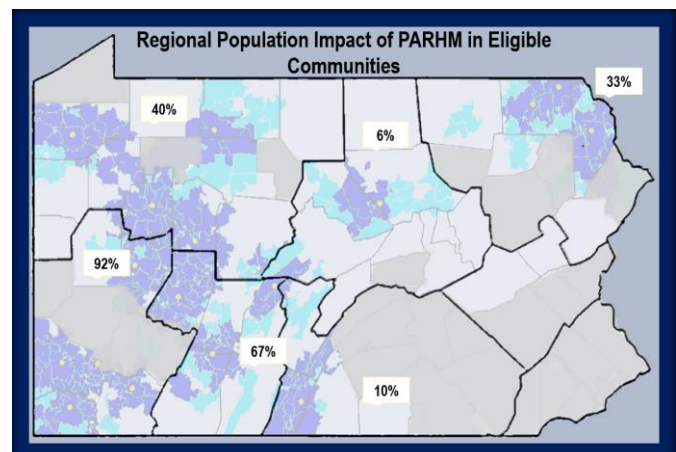


Figure 4: PARHM Catchment Areas Map with PHC4 regions,



## DETERMINING THE ECONOMIC IMPACT

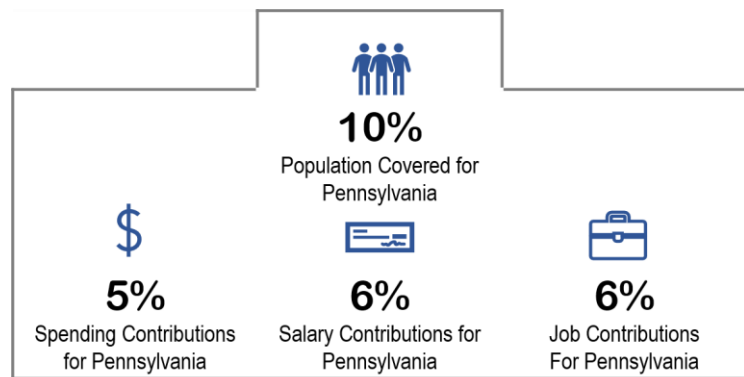
After assigning participant catchment areas to specific regions, HAP provided to the RHRC the economic contributions associated with those catchment areas. The results can be seen in the table below.

REGIONS	SPENDING CONTRIBUTIONS	SALARY CONTRIBUTIONS	JOB PROVIDED
Northwest (5 hospitals)	\$616M	\$229M	4.4K
Southwest (5 hospitals)	\$1.0B	\$381M	7.7K
Altoona/Johnstown (3 hospitals)	\$377M	\$138M	2.7K
North and South Central (2 hospitals)	\$141M	\$57M	1.1K
Northeast (3 hospitals)	\$226M	\$82M	1.9K
<b>TOTAL</b>	<b>\$2.4B</b>	<b>\$886M</b>	<b>17.8K</b>

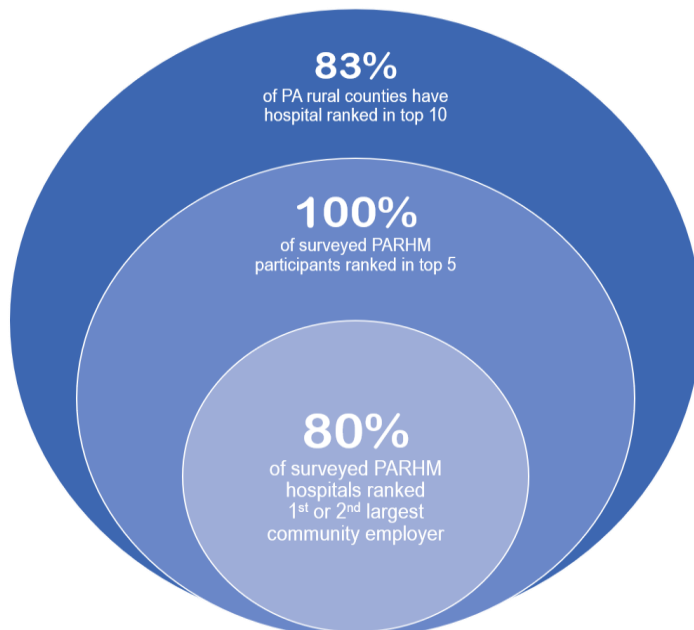
Figure 5: Provided by the HAP based on 2019 data

On a state level, it was found that not only do these hospitals impact approximately 10% of the state's population, but their total spending also accounts for about 5% of economic contributions.

In addition, unemployment rates in rural areas are often higher than in more urban settings. Therefore, the job opportunities provided by these facilities are some of the most significant contributions to their communities



## EMPLOYER RANKING OF PARHM PARTICIPANT HOSPITALS



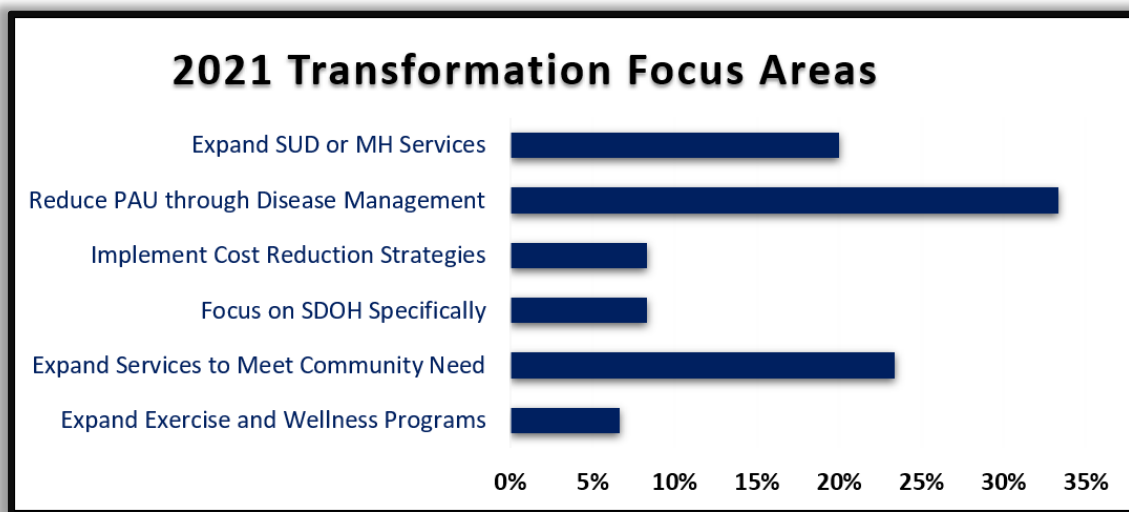
According to HAP's study, 83% of Pennsylvania's 48 rural counties have at least one hospital among their top ten largest employers.<sup>1</sup> Specific to PARHM hospitals, when asked their employment ranking, 100% of surveyed hospital respondents reported that their organization was among the top five largest employers in the community. Furthermore, 80% reported that they were ranked as the first or second largest employer in their community. These employment opportunities also account for about 6% of total salary and job opportunity contributions for the state.



## CONCLUSION

Rural hospitals are the backbone of many rural communities. Based on 2019 data, PARHM participant hospitals provide for \$2.4 Billion of economic benefit to their communities and provide over seventeen thousand jobs. Understanding that some of the communities are among the most vulnerable across the state specific to poor health outcomes and other health equity indicators, the Pennsylvania Rural Health Model strives to keep these rural facilities open and support efforts to improve the health of rural residents.

As the Model progresses, transformation planning initiatives are becoming more prevalent. This is largely due to the transformation planning process that hospital leadership is guided through as a part of program participation. Hospital leadership is asked to focus on identified needs within the community and address these needs through a transformation plan. The following graphic identifies the transformation efforts being addressed within the program, and the relative percent of each.



Understanding that true transformation takes time, keeping these hospitals open is essential for not only maintaining the economic benefit in these communities, but to allow for healthcare transformation to occur. Ensuring that access to care remains in participant communities is paramount in order to achieve the vision of sustainable transformation that will improve quality of care and produce positive impacts on population health.



## SOURCES

- <sup>1</sup>Siegel, Sari, PhD, Ayse Yilmaz, MHA, and Obaid Zaman, MPP. *Beyond Patient Care: Economic Impact of Pennsylvania Hospitals. A White Paper Analysis of FY 2019 Data*. The Hospital and Healthsystem Association of Pennsylvania (HAP), Dec. 2020. PDF.  
<https://haponlinecontent.azureedge.net/resourcelibrary/beyond-patient-care-economic-impact-white-paper-fy2019.pdf>
- <sup>2</sup>The Center for Rural Pennsylvania. "Rural Pennsylvania Counties." Web. 07 May 2021.  
<https://www.rural.pa.legislature.us/ruralcounties.html>