

Sen. Jay Costa, Senate Democratic Leader

Testimony in Support of WPAHS – Highmark Affiliation

April 17, 2012

Good morning. My name is Jay Costa. I am a state Senator representing the 43rd District which is located in Allegheny County. My district includes wards in the City of Pittsburgh, East Hills communities, a number of municipalities in the South Hills and the Monongahela Valley. I have been a member of the State Senate since 1996. I currently serve as the Senate Democratic Leader.

Thank you for providing me an opportunity to express my thoughts in strong support of the approval of the affiliation of West Penn Allegheny Health System (WPAHS) and Highmark.

As you may know, I have been active and very vocal in trying to preserve health-care choices in the Pittsburgh area and have attempted – along with my colleague, Sen. Don White – to ensure that unfettered access to quality, low-cost health care is assured for consumers for years to come.

To that end, Sen. White and I, along with others in the House and Senate, members of the administration and officials from the Insurance Department, are trying to develop a long lasting solution to the current impasse between Highmark and UPMC regarding access, facility use and payment for services. That is an on-going process and one that will

challenge us all going forward. However, that is a different problem that could be better addressed at another time and on another day.

Today, the issue before us is the affiliation of West Penn - Allegheny and Highmark. The affiliation was recently cleared by the United States Department of Justice. As a result, I would hope that the arrangement between the two entities would receive timely and favorable consideration, following the conclusion of an open public comment process.

The impact of the affiliation of West Penn - Allegheny and Highmark is critical for the future of high-quality, reasonably priced health care in the Pittsburgh area. Plus, it is critical for our economy.

The affiliation, I believe, will result in a sturdy comprehensive health-care network that is financially stable and sustainable. It will grow as Pittsburgh continues to adjust to modifications in the health-care market.

In fact, in order to ensure that this health-care option is available in the region for generations to come, I wrote a letter last November to the Internal Revenue Service advocating the affiliation.

In the letter, I made it clear that Highmark is willing to offer significant financial resources to bolster West Penn - Allegheny and keep financially teetering health-care facilities operational while the health system restructures and reinforces itself. An example of the beneficial

impact of the affiliation is the recent experience of Western Pennsylvania Hospital.

As you know, West Penn closed its Emergency Room and was preparing to shutter the entire facility. There is no question that the closure would have economically crippled its Bloomfield-community home. Highmark's decision to become involved resulted not only in keeping the hospital open and operational, but also the hospital announced that the Emergency Room would reopen.

The commitment of Highmark in supporting the affiliation is not inconsequential. As a part of the plan, Highmark announced a pledge of \$475 million and has backed up that promise with a significant infusion of dollars.

The importance of the affiliation cannot be underestimated. It is an important and critical piece of a competitive, accessible, and cost-effective health-care delivery system.

The affiliation of West Penn - Allegheny and Highmark is personally important to my constituents. West Penn - Allegheny is recognized nationally as a quality health-care provider. It is the main health-care option in many communities in the Pittsburgh area and has developed a well-earned reputation for service, innovation and expertise, often in difficult medical situations. West Penn - Allegheny reportedly has the

highest survival rate of any transplant facility in Pennsylvania and Medicare has reported that it is a highly cost-efficient operation.

As proof of its value as a health-care provider, West Penn - Allegheny reportedly has had 62,000 admissions, nearly 840,000 outpatient and 170,000 emergency room visits annually. Given this data, there is no question that West Penn - Allegheny is a meaningful, effective health-care option for consumers in the Pittsburgh area. The system must be sustained and strengthened. This can be achieved if the affiliation with Highmark is approved.

West Penn - Allegheny, represented by its individual hospitals and other feature institutions, has been a community resource for many generations. The health system operates facilities throughout the Pittsburgh region including West Penn Hospital, Allegheny General Hospital, Forbes Regional Hospital and Hospice, Allegheny Valley Hospital and Canonsburg General Hospital. The facilities stretch across the vast geography of the region and the footprint of the network reach hundreds of thousands of residents within minutes.

These hospitals are more than health-care operations. For many in the Pittsburgh area, these facilities are lifelines. Without the affiliation with Highmark, many of these health-care institutions – who have been economically on the fringe due to the peculiarities of the health-care market – may have to shut their doors.

If the health system were unable to continue, my constituents and many others in our region would suffer. Anxiety and anguish would result and the impact would be significant. Undoubtedly, the disintegration of the health network would lead to a deterioration of the quality of health-care throughout the region.

In addition to providing readily accessible options for Southwestern Pennsylvania health-care consumers, the facilities support a veritable legion of workers. The hospitals also support a significant network of affiliated businesses that employ thousands of workers and rely on the system's viability. The West Penn - Allegheny facilities themselves have 11,000 workers.

The highly professional workers and support personnel not only serve as key cogs in the health-care system as a part of their professional workday, but they also make valuable contributions in building strong neighborhoods and communities. A quick look at any community organization or neighborhood group will find volunteers who work by day at one of West Penn - Allegheny facilities, then volunteer in the evening.

Now a word about Highmark: Highmark is a national player in the health-care market and has the financial wherewithal to shore up West Penn - Allegheny financially. A Highmark-bolstered West Penn - Allegheny would ensure that competition would be available for years

to come and sufficient market forces would exist, and present in enough strength, to control costs.

The vertical integration of health care is not new and has been approved in many markets and many regions. In the Pittsburgh area alone, UPMC operates health-care facilities and offers health-care insurance. Health-care facilities currently have insurance arms as a part of their business model. That is nothing new and it should not be an obstacle in this affiliation.

In addition, it is exceptionally important to the health-care marketplace that a provider the size of West Penn - Allegheny is kept intact. Unquestionably, the only viable option that is available to ensure West Penn - Allegheny survival and growth is Highmark. It is the only institution that has the financial resources and commitment to keep the system together.

Therefore, on behalf of my constituents, the health-care consumers of the Pittsburgh region, the communities that are served and the people who lives are saved by the quality health care that they receive at West Penn - Allegheny, I ask that the affiliation of the system and Highmark be approved.

Thank you for providing me an opportunity to share my thoughts and ideas about the beneficial aspects of the affiliation.