

# Susquehanna Health

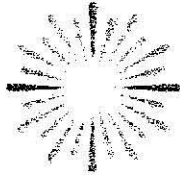
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**Testimony before the  
House Commerce Committee  
Rep. Peter J. Daley, Chairman  
Pennsylvania House of Representatives**

**Public Hearing on  
Economic Development and Job Creation  
March 11, 2010**

**Testimony of  
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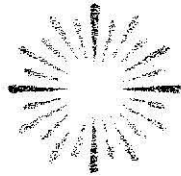
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Good morning. My name is Charlie Santangelo, and I am the Chief Financial Officer of Susquehanna Health. On behalf of Susquehanna Health, I want to express my appreciation to you for allowing us the opportunity to provide input regarding economic development and job creation from the perspective of the healthcare industry. What I would like to do for the next few minutes is to give you a snapshot of our organization, its role in our local and regional economy, how our strategic facilities plan (Project 2012) will create jobs in the community, and some of the challenges we face in moving forward with the implementation of our plans.

First of all, I would like to give you a little background information about Susquehanna Health. Our headquarters is located in Williamsport, and the system includes three hospitals. The Williamsport Regional Medical Center is our flagship hospital, and it is located in Williamsport near the heart of central business district. As the oldest of the three hospitals, Williamsport Regional Medical Center has been a staple of the community since its doors opened in 1878. Since then, it has moved and expanded several times, as the region's demand for services grew. Over the years, the Medical Center expanded its services to include a mental health unit, the first intensive care unit in Pennsylvania, and a cardiopulmonary unit, which serves as the hospital's cardiac surgery department today. In addition, the Medical Center established a family practice residency program to educate medical practitioners, many of whom choose to reside in the surrounding area.

Divine Providence Hospital is also located in Williamsport. The services of Divine Providence Hospital have dramatically expanded over the years to include a 31-bed inpatient psychiatric unit, the Kathryn Candor Lundy Breast Health Center, a pain management center, an

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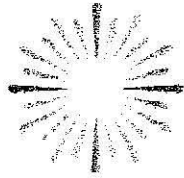
endoscopic center, a sports medicine center, and a major cancer center. The hospital also operates the Community Health Center and Dental Clinic, which was recently relocated to Hepburn Plaza, on the west side of the business district of downtown Williamsport.

Muncy Valley Hospital serves the eastern end of Lycoming County. The hospital thrived throughout the latter half of the twentieth century, expanding its services to include a geriatric ward, nutrition center, dermatology, and skilled nursing units.

Susquehanna Health was formed with the 1994 consolidation of the Williamsport Regional Medical Center (formerly known as the Williamsport Hospital & Medical Center), Divine Providence Hospital, and Muncy Valley Hospital. The PA Attorney General's office credited the consolidation with saving \$105 million while returning \$117 million to the community during its first five years.

In addition to the three hospitals in our system, Susquehanna Health partners with the Bucktail Medical Center in Renovo, the Jersey Shore Hospital in Jersey Shore, and Soldiers & Sailors Memorial Hospital in Wellsboro to connect them with state-of-the-art shared information technology and services to help provide the most advanced healthcare possible. This partnership, the Susquehanna Valley Rural Health Partnership, is the first rural network in Pennsylvania created under the Medicare Rural Hospital Flexibility Program that involves three "Critical Access Hospitals."

Susquehanna Health provides the opportunity for medical students from urban settings to gain hands-on experience in a rural setting. Through the Family Medicine Residency Program



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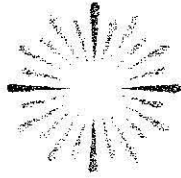
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Student Clerkships, each year over 50 students participate in four- to six-week clerkships at Susquehanna Health, which has affiliations with medical schools such as Temple University, Drexel University, Penn State – Hershey, and the Philadelphia College of Osteopathic Medicine. Most recently, Susquehanna Health has entered into an Academic Affiliation with The Commonwealth Medical College whereby Susquehanna Health will become the western campus for the medical school. As such, students in each year of medical school will rotate in clinical clerkships through inpatient and outpatient services of Susquehanna Health hospitals. Additionally 16 practicing physicians, most of whom are employed by Susquehanna Health, have volunteered to act as medical school faculty. This newly created affiliation will contribute to the success of the State's newest medical school.

Susquehanna Health is also part of a network of hospitals that forms the Penn State Cancer Institute. Member hospitals collaborate on cancer research and services, and also participate in clinical trials for cancer and other diseases.

So, what is our role in the local economy? When people talk about the economy, economic development, and job creation, the first thing that usually comes to mind is the manufacturing sector, or the retail sector, or commercial offices. But, in today's economy, especially in rural areas, healthcare is often the foundation of the economy. In Lycoming County, the manufacturing sector is still the largest sector, representing 19% of all jobs in the County in 2009. The healthcare and social assistance sector followed very closely with 16% of all jobs. As of June 2009, there were a total of 7,923 employees in the healthcare and social assistance sector in Lycoming County, with three quarters of those jobs in healthcare. As many



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sectors are losing jobs – especially the manufacturing sector – the healthcare and social assistance sector is growing and adding jobs, and the jobs that are being added are family-sustaining jobs with some of the highest wages in the region. Case in point, only five years ago, the manufacturing sector made up nearly 25% of all jobs in the County. During the five years between 2004 and 2009, over 3,200 manufacturing jobs were lost in Lycoming County, while over 400 new healthcare and social assistance jobs were added. If this trend continues, by 2012 the healthcare and social assistance sector will be the largest sector in Lycoming County – and that doesn't take into consideration the new employees that Susquehanna Health will be hiring in conjunction with our \$250 million expansion project, which I will discuss in more detail in a few minutes.

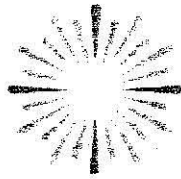
***With over 3,000 employees, Susquehanna Health is one of Pennsylvania's largest nongovernmental employers located north of Interstate 80.*** Our total economic impact exceeds \$800 million per year, and it serves as an important economic stabilizing element, helping to offset the region's increasingly fragile manufacturing sector. As of March 1, 2010, our organization had 3,065 employees on our payroll. In addition, we contract with outside service providers for over 353 employees who provide support services such as nutrition care, housekeeping, plant operations, and patient transport. The full-time employee at Susquehanna Health has an average wage of \$56,534 per year, which is 66% higher than the county-wide average of \$34,068, as estimated by the U.S. Census Bureau's Local Employment Dynamics. It is estimated that for every 10 employees in the healthcare industry, an additional 12 ripple-effect jobs are created as a result of operational spending and household spending by employees.

- Charity Care (at cost) \$1,055,325
- Medicaid Program (non-reimbursed costs) \$16,481,863
- Medicare Program (non-reimbursed costs) \$17,851,956
- Nurse Family Partnership (non-reimbursed costs) \$44,130
- Services provided for which payment was not received (at cost) \$5,428,656
- Community support activities (PILOTS, SILOTS and Taxes) \$2,812,708

of taxes and subsidized care.

million in charity care and in non-reimbursed services to the community through services in lieu regardless of a patient's ability to pay. In 2008, Susquehanna Health spent more than \$43.7 million in charity care and in non-reimbursed services to the community through services in lieu. Susquehanna Health provides high-quality, compassionate, accessible healthcare to anyone, need, but find that professional healthcare is available for them at Susquehanna Health. organization. Many people in the community cannot afford the medical care they so badly local governments, while providing additional tax revenues, even though we're a nonprofit the community that we serve in ways that help to relieve the burden of social assistance from Our economic impact on the region goes far beyond job creation. We also give back to

and Medicaid represents federal dollars that are being introduced into the local economy. from private sources represents a "recycling" of local dollars; however, revenue from Medicare and Medicaid. Payments from Medicare and Medicaid make up 40% of our revenues. Revenue services we provide comes from third-party sources – private insurance companies, Medicare, revenues. While the patients we serve may come from the local area, 99% of payment for the Another observation about our impact on the local economy lies in the source of our



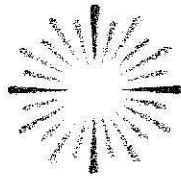
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With our background and our economic role as a backdrop, I would like to spend a few minutes talking about some of the challenges the healthcare industry is facing, as illustrated by our experiences at Susquehanna Health. Our mission as a faith-based healthcare provider is to provide the highest quality healthcare possible to the residents in our service area. Our primary service area is Lycoming County; however, we provide services to residents in 11 of the surrounding counties. One of the biggest challenges we face right now is a lack of space and outdated equipment. As a Regional Referral Center, no major facility work has been completed at the Williamsport Regional Medical Center for the past 20 years, and Susquehanna Health is now faced with the challenge of inadequate space to accommodate increased patient care needs. The Emergency Department at the Williamsport Regional Medical Center is one of the 25 busiest in Pennsylvania. It is designed to serve 35,000 patients per year, but is serving over 55,000 patients per year. Our aging facilities and out-of-code components are not conducive to a quality, service-friendly environment. Attractive, modern facilities are essential to recruiting top physicians and the best clinical staff, and modern facilities and quality healthcare are essential to attracting new businesses to the area as well.

After exploring options to build a new facility on a "greenfield" site, in 2005 Susquehanna Health entered into an agreement with the City of Williamsport that would enable the Williamsport Regional Medical Center to remain in the City and expand at its current location in the City. The City has worked with us to rezone properties in the blocks surrounding the Williamsport Regional Medical Center, and Susquehanna Health has acquired 104 properties within those blocks for redevelopment and expansion. The rezoning will also allow for



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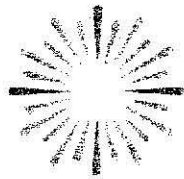
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additional commercial and institutional uses in the area surrounding the Medical Center, increasing the opportunity for more private investment. In October 2009, we broke ground on a \$250 million expansion project – a project that will build on existing infrastructure and steer investment back into the City of Williamsport. Over 500 temporary construction jobs will be created each year during our expansion project’s construction phase from 2009 to 2012. As a result of the new facilities, 230 permanent new jobs with family-sustaining wages will be created, and an additional 270 “ripple-effect” support jobs will be created across the regional community.

While the groundbreaking was a critical milestone for the project, getting to that point was a significant challenge. Like many other entities, for-profit and non-profit alike, the recent recession has threatened our ability to move forward with the project. With 17% of the cost of the project financed by system equity, declining investment income has threatened the availability of equity funds. The cost of financing has increased significantly. The American Hospital Association DATABANK estimated a 15% increase in interest paid on borrowed funds between 2007 and 2008. And, of course, we have also faced the challenge of access to capital; however, in the fall of 2009, we were able to move forward with a bond issue whose proceeds will finance a little over half of the cost of the project. Many other healthcare providers across the state have not been as fortunate and have had to resort to staff cuts and delays of capital projects. According to a survey conducted by the Hospital and Healthsystem Association of Pennsylvania (HAP) in December of 2008, 48% of its member respondents had postponed capital spending for inpatient capacity, 54% had postponed capital spending for outpatient





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capacity, and 64% had postponed capital spending for clinical or information technology equipment.

Unlike other sectors of the economy, such as manufacturing, retail, services and technology, healthcare's prices are in large part not market driven, i.e., they are influenced by what government and third-party payors (such as Medicare, Medicaid and commercial plans) will dictate. Consequently, healthcare is constantly running on thinner operating margins, as they cannot fully recoup the actual cost of providing healthcare through reimbursements. This, in turn, also has an impact on our capital programming.

I think what you are doing here today could be one of the most important things that you as legislators can do to assist healthcare providers in overcoming some of our challenges. I believe it is critical that public officials, as well as the general public, understand the true role of healthcare providers in the local community – a role that goes beyond providing health services – a role that is increasingly becoming the backbone of our economy, and as in the case of Susquehanna Health, a catalyst for community revitalization. As the understanding of the industry changes, it is our hope that state programs will be expanded to not only allow the participation of healthcare providers, but will be designed to **target** healthcare providers, ensuring strategic public investment that is directed to projects that support job growth in one of Pennsylvania's key targeted industry clusters – the healthcare industry.