



Allegheny
Health Network

Statement of
Allegheny Health Network

for the
Pennsylvania Senate Republican Policy Committee
Public Hearing on Energy Access and Affordability

submitted by
Charles DiBello, Vice President, Facilities and Real Estate

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Chairman Laughlin and members of the Senate, the Allegheny Health Network (AHN) appreciates the Committee's efforts to examine the important issue of energy access and affordability in Pennsylvania. The soaring price of energy is the latest calamity to strike hospitals. As hospitals across the United States grapple with inflation, staffing shortages and continuing fallout from the coronavirus pandemic, health care leaders warn that the energy crisis could also spell trouble for the entire healthcare system.

AHN, a Highmark Health company, is an integrated healthcare delivery system with a service area spanning western Pennsylvania and portions of New York, Ohio, and West Virginia. As a non-profit health network, we aim to extend our reach to as many people as possible to offer them a broad spectrum of care and services. We have 14 hospitals and more than 200 primary- and specialty-care practices. And we have approximately 2,400-employed and affiliated physicians in every clinical specialty, 19,000 employees and 2,000 volunteers. Together, we provide world-class medicine to patients in our communities, across the country and around the world.

Some may be wondering why a healthcare representative is here to talk about energy issues—our business is, of course, taking care of patients. High-quality care is what we focus on 100% of the time.

The reason is that hospital and outpatient settings are large square foot environments that consume great amounts of electricity, and all other utilities. We are estimating a 27% increase in overall utility costs for forecasted 2023, comparing to our actual costs in 2019. Of overall utility usage, 42% is electricity in these highly regulated environments.

Recent electric rate changes implemented by the Pennsylvania Public Utility Commission for all state regulated utilities have increased rates in Western Pennsylvania by up to 20% for supply and usage. This equates to a significant added expense for our health system. And, as you may know, the rates that government programs and commercial insurers pay for healthcare do not allow for real-time flexibility. For example, when you have a restaurant and your energy prices increase, you can increase the price of your products. Hospitals can't do that. Compounding the problem is that many existing rates do not even cover the actual cost of patient care, so increases in energy costs further stress our already strained finances.

According to the U.S Energy Information Administration, Pennsylvania is the number two net supplier of total energy to other states. Pennsylvania has the 12th highest electricity costs in the nation and is 27th in natural gas while we rank 30th in consumption. We are also the second largest producer of natural gas, slightly behind Texas.

While the Duquesne Light Company electric grid is largely supplied by nuclear power, the number one generation source in Pennsylvania is natural gas. This means that the recent large spikes in the cost of natural gas have caused further cost increases for electricity as well as heating.

Over the past few years, hospitals have experienced considerable growth in expenses for workforce, drugs, and medical supplies. Most of the nation's hospitals were operating on razor thin margins prior to the pandemic; and now, many of these hospitals are in an even more precarious financial situation. This massive growth in expenses and rising inflation fuel continued financial challenges for America's hospitals and health systems – and it is unsustainable. Utility increases significantly contribute to this financial burden and hinder what we can put back into our facilities for our patients.

AHN is committed to sustainability efforts. We are turning over every stone and looking for every opportunity to improve energy performance. However, the rate increases we are experiencing are far outpacing our ability to implement energy efficiency and demand management measures to reduce our consumption and operating costs.

Hospitals are facilities with a high and permanent consumption of energy -- the lighting, heating or air conditioning, security systems, monitoring, elevators, cleaning and sterilization and operating rooms work 24 hours a day, 365 days a year. The usage in our environments is not changing. Therefore, implementing sustainability opportunities is very important.

Lastly, spikes in energy prices create a vicious cycle of healthcare need. We can learn a great deal from how the energy crisis in European countries are potentially creating a public health emergency. Rising energy costs, low incomes and energy inefficient homes may push half of

British households into fuel poverty, resulting in cold homes, which cause both physical and mental illness and risk further straining its overstretched healthcare system. Households are said to be experiencing fuel poverty when they are unable to afford to heat their homes to a reasonable temperature; in Wales, Scotland, and Northern Ireland (and, until recently, England), fuel poverty is defined as spending more than 10 percent of a household's income on energy.

Fuel poverty and cold homes exacerbate circulatory, respiratory, and mental health problems across all age groups. The worsening cost-of-living crisis is not felt equally across society. For the most vulnerable, if not prevented, a cold, damp environment can be deadly. The U.S. healthcare system is already stressed on all fronts – an energy crisis that significantly increases demand for care could collapse the entire system.

Support from the state will help hospitals in our efforts to make sure we are continuing to develop efficient and effective environments in which to provide 24/7, high-quality patient care. A state-wide energy strategy that makes the best use of our natural resources and unleashes the full potential to our economy will allow Pennsylvania to realize its full energy potential.

Thank you again for the opportunity to share our thoughts on this issue. AHN welcomes the opportunity to continue discussions with this Committee as well as others on ways to increase energy efficiency and reduce the overall cost of energy in Pennsylvania.