

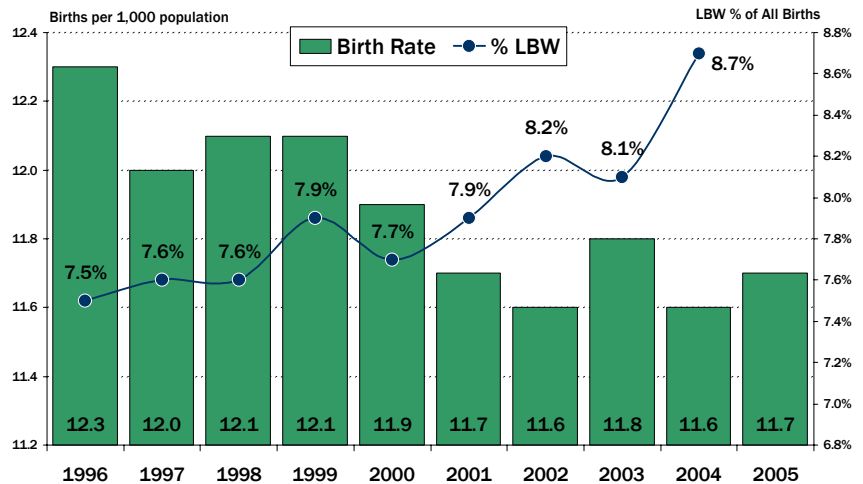


A critical aspect in health care delivery is the identification of health care needs and providers' ability to meet the health care needs of their communities. The challenges that affect obstetrical services in the Commonwealth demonstrate a growing trend of diminished access to care for pregnant women, and signal the need for statewide strategic solutions to address the problem.

The mounting pressure on access to obstetrical services in many areas in Pennsylvania is due in part to the closing of 33 hospital obstetrical units (13 in the greater Philadelphia area alone) and loss of neonatal intensive care units in the last decade. Each year more than 145,000 babies are born in Pennsylvania hospitals. The birth rate has remained stable in recent years, while the percentage of low birth weight (2500 g or less) babies, who need more specialized care, has been increasing.

Ensuring access to appropriate prenatal, obstetrics, and post-partum services is an essential investment in Pennsylvania's future. There are serious problems with access to services for some populations and in some communities in our commonwealth.

Trend in Pennsylvania Birth Rate & Percentage of Low Birth Weight Births



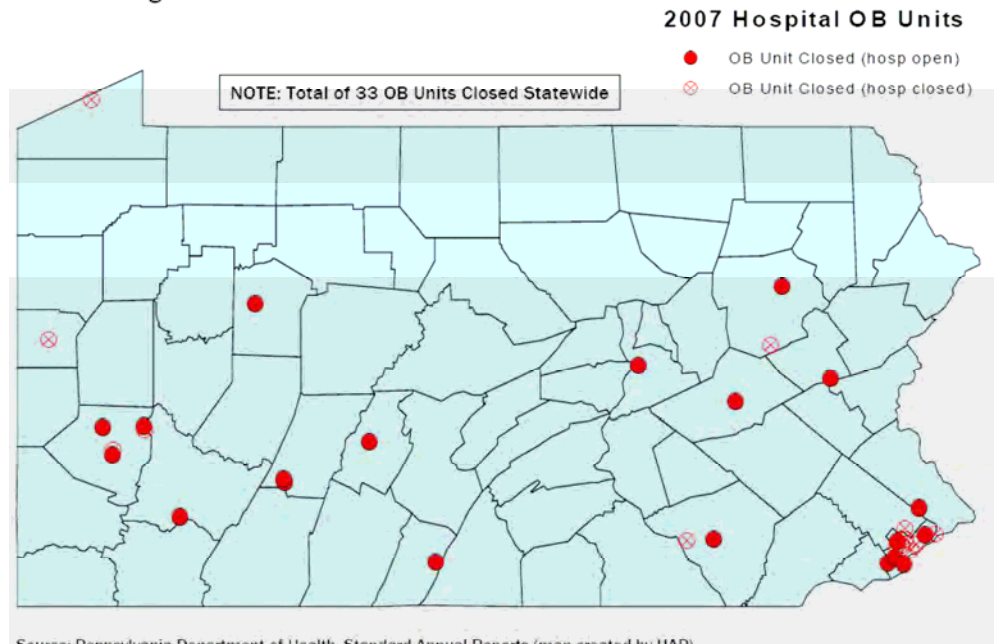
Source: PA Department of Health, Vital Statistics

Factors Causing Crisis

- Lack of timely access (prenatal, obstetrics, and postpartum) for certain populations.
- Inadequate reimbursement for obstetrical services, including unfunded testing and screening requirements.
- Inadequate insurance coverage, making meeting the needs of uninsured mothers more difficult.
- Continuing impact of medical liability coverage crisis.
- Inadequate insurer/managed care provider networks for obstetrical services.

Closed OB Units at Acute Care Hospitals

1997 through 2007



Source: Pennsylvania Department of Health, Standard Annual Reports (map created by HAP)

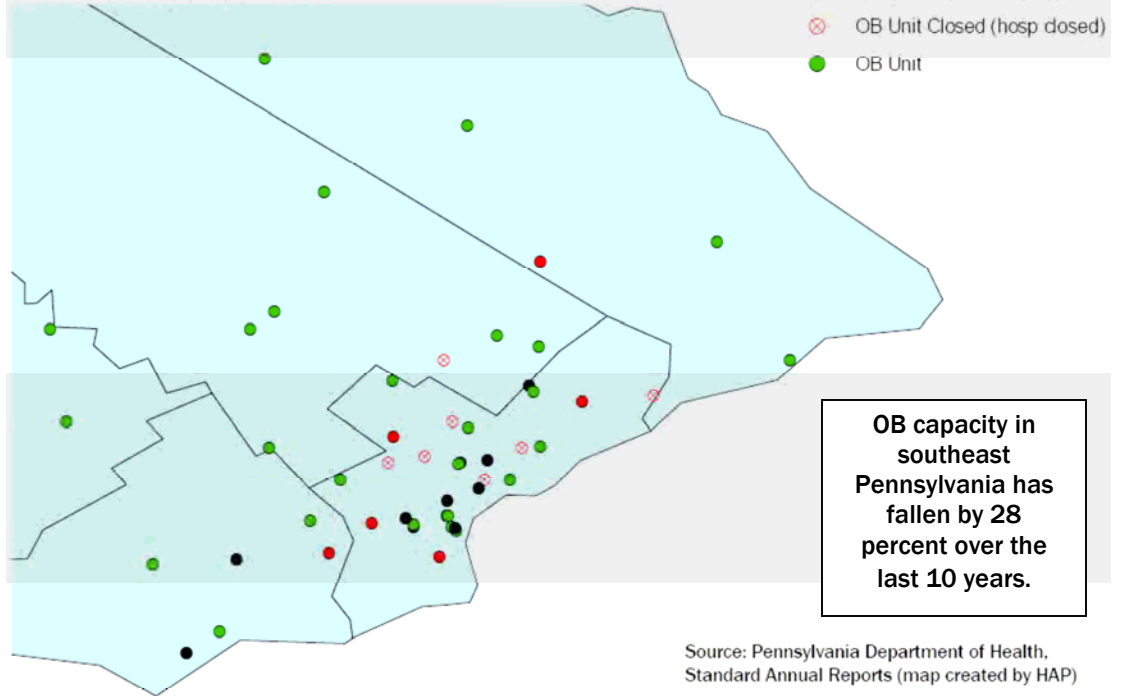
- Growing workforce shortages (obstetricians, family practitioners, midwives, technicians, anesthesia, etc.).

- Challenges of meeting the unique needs of a diverse population.

- Aging obstetrical service facilities and high capital costs to increase capacity, including neonatal intensive care unit capacity.

- In urban areas, obstetrics needs are concentrated, and when hospital obstetrical units close, surrounding hospitals are challenged to handle the capacity. In rural areas, when hospital obstetrics units close, patients have to travel long distances to get care.

Location of OB Units at Acute Care Hospitals-SE Region 1997 through 2007



Neonatal Intensive Care Unit (NICU) Trends

- In 2005, statewide the aggregate NICU occupancy was 72 percent. Every region had a higher NICU occupancy than obstetric/gynecologic occupancy.
- More than one-third of Pennsylvania hospitals had NICU occupancy rates greater than 70 percent; the south central and Lehigh Valley regions had occupancy rates of 84.9 percent and 83.3 percent. Philadelphia's NICU occupancy rate was 80.5 percent.

Growing Shortage of Physicians

The major contributing factors include the high cost of medical liability coverage, combined with low reimbursement rates from both public and private payers. These factors have jeopardized the financial viability of obstetrics units and negatively impacted the recruitment and retention of obstetricians and nurse midwives. **Because of the difficulties of recruiting these professionals, in many**





areas of Pennsylvania, there are communities where expectant mothers face real challenges in accessing prenatal and obstetrics services.

According to the Pennsylvania Department of Health's "Special Report on the Characteristics of the Physician Population in Pennsylvania", February 2006:

- In 2004, 68.9 percent of physicians working on obstetrics/gynecology, as their primary field of practice, indicated that they were currently delivering babies.
- Of those Pennsylvania physicians working in obstetrics and gynecology and delivering babies, 7.3 percent reported that they planned to stop delivering babies within the next 12 months.
- Twenty-nine percent (29.1%) of Pennsylvania physicians with specialty board certification in obstetrics and gynecology anticipated practicing medicine in Pennsylvania for five years or less, the highest "quit rate" of any specialty surveyed.
- Statewide, the number of obstetricians/gynecologists has declined by 268 (13%) since 1997; in southeastern Pennsylvania the number has declined by 27 percent.
- Nationally, according to a survey by the American College of Obstetricians and Gynecologists (ACOG), 77.7 percent of physicians reported providing both obstetric and gynecologic care. Nearly seventeen percent (16.8%) of physicians provided gynecologic care only, and of those, 92 percent had previously offered obstetric care.

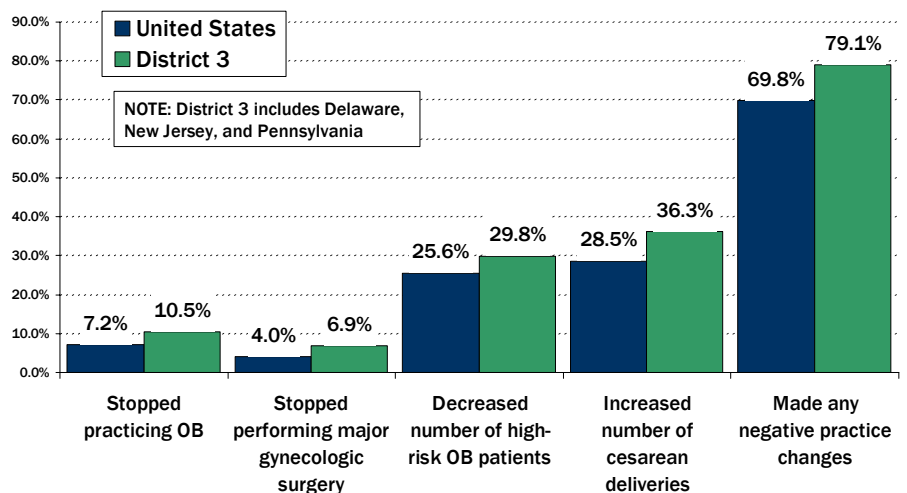
Professional Liability Environment

The total cost of professional liability coverage for Pennsylvania hospitals is 93 percent higher today than in 2000. Obstetrics is an area that has been significantly impacted by the liability crisis.

To assure access to obstetrical services and minimize professional liability costs for physicians, hospitals are directly employing obstetricians and providing assistance to help independent physicians with liability coverage.

- In 2006, half of the southeast Pennsylvania hospitals responding to a survey by the Delaware Valley Healthcare Council of HAP employed 80 percent or more of their obstetricians.

Practice Changes Resulting From The Affordability or Availability of Professional Liability Insurance



Source: ACOG Clinical Review, Editorial: Overview of the 2006 Survey on Professional Liability, March-April 2007



The 2006 ACOG Survey on Professional Liability asked whether obstetricians/gynecologists had made any practice changes since January 2003 because of the affordability, availability, or both, of professional liability insurance: nationwide 69.8 percent reported having made one or more changes in their practices.

- In District 3 (Delaware, New Jersey, and Pennsylvania), the percentage was much higher at 79.1 percent.
- Overall in relation to national averages, more responding physicians in District 3 reported more negative practice changes, such as decreasing the number of high-risk pregnancies, increasing the number of cesarean deliveries, or stopping their obstetrical practice altogether.
- Relative to changes in business or finance, 20.4 percent of all obstetricians/gynecologists reported they had liquidated holdings, accessed savings, or secured a loan to fund liability insurance increases; in District 3, 35.1 percent had taken one or more of these actions.

Financing Care

Since Medical Assistance funds one of every three births each year in Pennsylvania, and is the most important source of financing for cost of care for premature infants, changes in the program to help address this growing crisis are needed.

- More than three-fourths of Pennsylvania’s practicing obstetricians and gynecologists (76.1%) participate in the Medical Assistance program. (PA Department of Health, “Special Report on the Characteristics of the Physician Population in Pennsylvania”, February 2006)

Medical Assistance Accounts for More Than One-third of All OB Deliveries Statewide

PA Region	Total Obstetric Discharges	# MA Obstetric Discharges	% MA Obstetric Discharges
Southwest	24,380	8,321	34.1%
Northwest	9,610	4,503	46.9%
Altoona/Johnstown	4,666	1,976	42.4%
North Central	6,696	2,671	39.9%
South Central	20,932	7,440	35.6%
Northeast	7,752	3,256	42.0%
Lehigh Valley	14,152	5,469	38.6%
Southeast	50,791	20,239	39.9%
Statewide (all PA)	138,979	53,875	38.8%

Source: Medstat, 7-1-05 through 6-30-06 discharges
 NOTE: Medical Assistance also includes self-pay and unknown payer categories



Policy Recommendations

- Improve Medicaid funding to assure continued access to obstetrics services for expectant mothers and neonatal intensive care services for babies, to include:
 - Establishment of an obstetrics stabilization fund to enable the state to provide targeted funding to facilities serving mothers and babies relying on Medicaid.
 - Increased physician, certified nurse midwife, and hospital fees and payments for providing prenatal, delivery, and postpartum care.

- Enact medical liability reforms. Medical liability costs contribute to the difficulty in maintaining the financial viability of OB units and to recruitment and retention of practitioners, both obstetricians and midwives. Additional reforms to improve the medical liability system include:
 - Continued MCare abatement.
 - Joint and several liability reform.
 - Phase-out of the MCare fund and retirement of the unfunded liability.
 - Development of special courts to handle medical injury cases and an alternative dispute resolution demonstration.

- Allow NICU's greater flexibility to address increased volumes and surge capacity issues.

- Ensure adequate workforce by maximizing the use of the full continuum of qualified providers, including obstetricians, family practitioners, nurse midwives, and physician assistants. To this end, several approaches should be considered:
 - Expanded nurse midwives privileges through hospital regulatory changes.
 - Expanded obstetrical training opportunities for family practitioners.
 - Expanded loan forgiveness/incentives to keep obstetricians, nurse midwives in the state after training.
 - Workforce development stressing cultural competency and increased diversity.
 - Early career development for minorities to expand minority representation in obstetrical care.
 - Broadened health professional shortage and medically underserved area designations.