CREATING THE HEALTH CARE WORKFORCE FOR THE 21ST CENTURY

Regional Economic Impact

The Hospital & Healthsystem Association of Pennsylvania©  October 2011
Hospitals Play Vital Role

According to the 2010 Fitch Ratings report, *2010 Nonprofit Hospitals and Health Systems Outlook*:

- Most hospitals and health systems are major economic drivers within their communities.

- Often, the hospital ranks as one of the largest employers in the region, buoying local economies through their sizeable payrolls and purchasing platforms, combining to create substantial downstream economic activity.

- Moreover, recent government data shows that health care payrolls as a share of total non-farm payrolls continues to grow, now accounting for more than 10 percent of all domestic jobs.

- Although not wholly subject to income or property taxation, the economic stability and viability of nonprofit hospitals does lend a great deal of support to a stable tax base.
Outlook for Pennsylvania Hospitals

A hospital is an irreplaceable community asset that provides access to a broad range of essential health care services.

- Each year, Pennsylvania hospitals and health systems provide care to nearly 1.94 million inpatients, serve patients through 38.5 million outpatient visits, and evaluate 5.8 million people in their emergency departments.
Hospitals’ Economic Contribution to Pennsylvania

Hospitals also are essential in another way—as economic engines. The economic contributions made by Pennsylvania’s hospitals to local communities and the state have continued to increase, rising to $98.9 billion during 2010, up from $89.8 billion during 2008.

Pennsylvania hospitals and health systems provide a total of $40.1 billion in direct spending to the state’s economy and make a total direct and secondary contribution of $98.9 billion to the state’s economy.

In 55 of the 67 Pennsylvania counties, hospitals remain among the top five employers, providing family-sustaining jobs and solid benefits.
Impacting Employment in Pennsylvania

More than 584,000 Pennsylvanians depend on hospitals for their jobs through direct employment and the ripple effect of hospital employment—representing one in every ten working Pennsylvanians.

During 2010, hospital employment was nearly 268,000. Every additional dollar in employee compensation in the hospital sector results in 92 cents of wages to other Pennsylvania industries.

For every hospital job, 1.2 additional jobs are supported within the state.

When 268,000 hospital employees spend money on products and services, it translates to more than 317,000 additional hospital service-related jobs and more than $13 billion in employee compensation.

More than $27.2 billion in total labor income is generated directly and indirectly by Pennsylvania hospitals.
# Regional Economic Impact of Pennsylvania Hospitals & Health Systems

<table>
<thead>
<tr>
<th>Total Impact of Hospital and Health System Spending</th>
<th>Total Employees Dependent on Hospitals</th>
<th>Hospital-Dependent Employees as a Percent of Regional Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3.195 billion</td>
<td>28,304</td>
<td>7.8%</td>
</tr>
<tr>
<td>$28.719 billion</td>
<td>203,104</td>
<td>11.4%</td>
</tr>
<tr>
<td>$6.690 billion</td>
<td>47,520</td>
<td>9.6%</td>
</tr>
<tr>
<td>$3.576 billion</td>
<td>31,543</td>
<td>8.8%</td>
</tr>
<tr>
<td>$15.896 billion</td>
<td>112,117</td>
<td>10.5%</td>
</tr>
<tr>
<td>$1.801 billion</td>
<td>16,945</td>
<td>9.0%</td>
</tr>
<tr>
<td>$9.164 billion</td>
<td>67,336</td>
<td>7.9%</td>
</tr>
<tr>
<td>$28.719 billion</td>
<td>203,104</td>
<td>11.4%</td>
</tr>
</tbody>
</table>

*Source: The Hospital & Healthsystem Association of Pennsylvania, March 2011*
Pennsylvania hospitals support more than half a million jobs in the Commonwealth

Source: Based on analysis of Bureau of Economic Analysis, U.S. Department of Commerce and 4th Quarter 2009 Census of Employment and Wages
Pennsylvania hospitals and health systems support other businesses and jobs in the Commonwealth

Source: Based on analysis of Bureau of Economic Analysis, U.S. Department of Commerce, and 4th Quarter 2009 Census of Employment and Wages, Medicare Cost Report Data, and health systems reports to HAP.
Employment Impact

Hospitals in Southeastern PA Region

Source: Based on analysis of Bureau of Economic Analysis, U.S. Department of Commerce and 4th Quarter 2009 Census of Employment and Wages
Overall Economic Impact

Hospitals in Southeast PA Region

Source: Based on analysis of Bureau of Economic Analysis, U.S. Department of Commerce, and 4th Quarter 2009 Census of Employment and Wages, Medicare Cost Report Data, and health systems reports to HAP.
Employment Impact
Hospitals in Northeast PA Region

Direct Effect: 25,111
Ripple Effect: 22,409
Total Jobs: 47,520

Source: Based on analysis of Bureau of Economic Analysis, U.S. Department of Commerce and 4th Quarter 2009 Census of Employment and Wages
Overall Economic Impact

Hospitals in Northeast PA Region

Source: Based on analysis of Bureau of Economic Analysis, U.S. Department of Commerce, and 4th Quarter 2009 Census of Employment and Wages, Medicare Cost Report Data, and health systems reports to HAP.
Delaware Hospitals — Economic Snapshot

In 2009:

- Employed 18,137 FTEs.
- Annual hospital payroll was more than $1 billion.
- Contributed over $186 million in taxes.
- Community benefit\(^1\) totaled $312 million.

\(^1\)Includes bad debt, charity care, unpaid cost of public programs, community benefit programs.
New Jersey Hospitals . . .

*Provide substantial contributions to the state’s economy.*

**New Jersey is home to 73 acute care hospitals, and in 2009 delivered:**

- Over $18 billion in total expenditures.
- $2.3 billion in purchased services.
- Nearly 116,000 full-time jobs and total employment of nearly 145,000 full-time and part-time positions.
- More than $7 billion in total employee salaries.
- In excess of $400 million in state income taxes paid by hospital employees.
- Nearly $1.4 billion in charity care services to New Jersey’s working poor and other uninsured residents.
Annual Contributions as a Healthcare Safety Net

- New Jersey hospitals also give back to the community by serving as the primary source of medical services for the state’s 1.3 million uninsured, thus serving as the healthcare safety net for the most needy at a cost of nearly $1.4 billion annually.

- In 2009, uninsured patients presented at New Jersey hospitals on 2,800,650 occasions.

- New Jersey hospitals provide a forum for non-salaried physicians to deliver services related to their individual practices.

- New Jersey's general hospitals are almost exclusively not-for-profit entities — any excess revenue over expenses is returned to the community in the form of new medical technology, expanded hospital services, maintenance and expansion of physical infrastructure and the enhanced ability to hire and maintain skilled workforce.
Annual Taxes

New Jersey Hospitals

- New Jersey hospitals pay in excess of $105,326,400 annually in taxes including:
  - 0.53% Assessment: $78,691,900
  - Adjusted Admissions Assessment: $17,342,700
  - Newborn Screening Fees: $9,291,800
  - Other assessments such as New Jersey Poison Information & Education System (NJPIES) and Maternal and Child Health Consortium Assessment
  - In addition, hospitals routinely support their local municipalities through special payments in lieu of taxes.
Hospitals are Job Creators

- Health care industry added 305,900 jobs in last 12 months--including 74,000 in hospitals. *(Bureau of Labor Statistics)*

- Hospitals gained:
  - 13,300 new jobs in September
  - 7,700 new jobs in August
  - 11,000 new jobs in July.

- Hospitals lost 1,900 jobs in June

- January-September 2011, hospitals have created 66,800 new jobs.

- By comparison, in first nine months of 2010, hospitals created 19,800 new jobs.
The United States is facing a growing shortage of physicians. Due to population growth, aging and other factors, demand will outpace supply through at least 2025. Simply educating and training more physicians will not be enough to address these shortages. Changes such as improving efficiency, reconfiguring the way some services are delivered and making better use of our physicians will be needed.
Pennsylvania RN Supply & Demand

In 2008, the supply of RNs was 135,600 while the demand was an estimated 138,200 (2% shortage). By 2017, the shortage will grow to 14% or 22,600 RNs.

Source: PA Center for Workforce Information and Analysis, RN Supply/Demand Model, 2008-2017
Percent Growth In Pennsylvania Health Professions Employment, 2004-2014

- Physical therapists: 17.8%
- Pharmacists: 15.5%
- Medical lab techs: 7.9%
- Radiologic techs: 5.7%

Essential Components of Success in the Health Reform Environment

- Become experts in chronic care.
- Must assume that cost shifting will end.
- Recognize that change is the new constant.
- A strong position in the geographies served.
- Build business models that go where the patients will be.
- A solid, integrated physician platform.
- A care, cost, and quality management culture.
- Sophisticated IT and care management infrastructures.
- Acute attention to operations.
- Ability to measure clinical and financial performance.
Rethinking the Organization of Care
Where is your place? What is realistic? What is achievable?

Accountable Care Organizations

Primary Care Physicians
Specialty Care Physicians
Outpatient Hospital Care and ASCs
Inpatient Hospital Acute Care
Long Term Acute Hospital Care
Inpatient Rehab Hospital Care
Skilled Nursing Facility Care
Home Health Care

Acute Care Bundling

Medical Home

Acute Care Episode with PAC Bundling
Post-Acute Care (PAC) Episode Bundling

Source: The American Hospital Association (AHA)
Key Actions for Hospitals

1. Enhance efforts to improve quality and patient safety and reduce variation in care within your organization.

2. Increase clinical and operational efficiencies.

3. Increase efforts to improve patient satisfaction.

4. Reduce avoidable readmissions.

5. Identify community partners and conduct community needs assessment.

Source: American Hospital Association, 2010
Key Actions for Hospitals

6. Assess and strengthen your plan for health information technology and electronic health records.

7. Collect standardized race and ethnicity data to reduce health disparities.

8. Examine readiness for episodic payment, care redesign and explore organizational capacity to manage care across the continuum.

9. Develop new organizational competencies for clinical integration and foster better alignment with physicians.

10. Assess the insurance benefits your hospital offers employees in light of health reform.

Source: American Hospital Association, 2010
## Affordable Care Act (ACA) 10-Year Impact

### Hospital Medicare & Medicaid Cuts
2010-2019 Revenue = $155 Billion

<table>
<thead>
<tr>
<th>Cuts Description</th>
<th>U.S.</th>
<th>Pennsylvania</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Productivity” and Other Update Cuts</td>
<td>$113 B</td>
<td>$6.804 B</td>
</tr>
<tr>
<td>Medicare DSH Cuts</td>
<td>$22 B</td>
<td>$522 M</td>
</tr>
<tr>
<td>Medicaid DSH Cuts</td>
<td>$14 B</td>
<td>$928 M</td>
</tr>
<tr>
<td>Cuts for “Excess” Readmissions</td>
<td>$7 B</td>
<td>$383 M</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$155 B</strong></td>
<td><strong>$8.6 B</strong></td>
</tr>
</tbody>
</table>

*Source: Congressional Budget Office*
The ‘super committee’

The debt reduction deal signed by President Barack Obama Aug. 2 requires Congress to create a “super committee” of six Democrats and six Republicans, tasked with recommending additional federal spending cuts of at least $1.2 trillion over 10 years. The U.S. debt ceiling would be allowed to increase by the same amount as the cuts, up to a limit of $1.5 trillion. A look at who was chosen:

Four congressional leaders chose the 12 committee members

Reid’s choices

Sen. Harry Reid
Senate majority leader
D-Nev.

Sen. Patty Murray
D-Wash.
• Chairs Dem. Senatorial Campaign Committee

Sen. John Kerry
D-Mass.
• Defender of party priorities such as Medicare

Sen. Max Baucus
D-Mont.
• Chairs Senate Committee on Finance

McConnell’s choices

Sen. Mitch McConnell
Senate minority leader
R-Ky.

Sen. Jon Kyl
R-Ariz.
• No. 2 ranking Republican in Senate

Sen. Rob Portman
R-Ohio
• Was budget director for Pres. George W. Bush

Sen. Pat Toomey
R-Pa.
• Freshman senator; advocates a flat tax

Boehner’s choices

Rep. John Boehner
House speaker
R-Ohio

Rep. Jeb Hensarling
R-Texas
• Chairs Republican Conference Committee

Rep. Dave Camp
R-Mich.
• Chairs House Ways and Means Committee

Rep. Fred Upton
R-Mich.
• Chairs Energy and Commerce Committee

Pelosi’s choices

Rep. Nancy Pelosi
House minority leader
D-Calif.

Rep. James Clyburn
D-S.C.
• No. 3 ranking House Democrat

Rep. Xavier Becerra
D-Calif.
• Member of Obama’s deficit commission

Chris Van Hollen
D-Md.
• Top Democrat on the House Budget Committee

Source: McClatchy Washington Bureau, McClatchy Photo Service, AP, Reuters
Options

- Medicaid ($100 billion)
  - Provider taxes/assessments
  - Blending rates/FMAP

- Medicare
  - Indirect Medical Education ($14 billion)
  - Bad Debt ($14-26 billion)
  - Rural adjustment cuts ($14-16 billion)
  - Post-acute care services ($50 billion)
  - Medicare IPPS coding adjustments ($4 billion)
  - Expansion of Independent Payment Advisory Board
Deficit Reduction Options Analysis
Medicare FFS Payments to PA Hospitals and Health Systems

<table>
<thead>
<tr>
<th>BCA-mandated Sequestration Option, If Super Committee Does Not Achieve Targeted Savings:</th>
<th>One Year Impact</th>
<th>Ten Year Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>2% sequestration reduction to Total Medicare FFS</td>
<td>$148,083,800</td>
<td>$1,604,794,500</td>
</tr>
</tbody>
</table>

Potential Options Under Consideration by the Super Committee:

**BAD DEBT PAYMENT REDUCTIONS:**

<table>
<thead>
<tr>
<th></th>
<th>One Year Impact</th>
<th>Ten Year Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bad Debt reduction to 25%</td>
<td>$27,457,400</td>
<td>$645,880,000</td>
</tr>
<tr>
<td>Bad Debt Phase-out</td>
<td>$27,457,400</td>
<td>$968,070,400</td>
</tr>
</tbody>
</table>

**CODING ADJUSTMENT REDUCTIONS:**

| Inpatient: 3.9% reduction (2013-2014) | $169,978,400 | $343,016,100 |

**ELIMINATION OF RURAL SPECIAL STATUS PROGRAMS - INPATIENT**

<table>
<thead>
<tr>
<th>Program Elimination</th>
<th>One Year Impact</th>
<th>Ten Year Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAH Program</td>
<td>$2,806,000</td>
<td>$52,340,500</td>
</tr>
<tr>
<td>SCH Program</td>
<td>$23,007,300</td>
<td>$249,332,500</td>
</tr>
<tr>
<td>MDH Program</td>
<td>$16,379,400</td>
<td>$177,504,000</td>
</tr>
</tbody>
</table>

1Pennsylvania impact of potential reimbursement reductions under consideration by the Super Committee established by the Budget Control Act (BCA) of 2011.
## Deficit Reduction Options Analysis

**Medicare FFS Payments to PA Hospitals and Health Systems**

<table>
<thead>
<tr>
<th>Potential Options Under Consideration by the Super Committee: (continued)</th>
<th>One Year Impact</th>
<th>Ten Year Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CAH COST-BASED PAYMENT REDUCTIONS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inpatient, Outpatient, and Swing Bed reduced from 101% to 100%</td>
<td>$873,800</td>
<td>$10,086,000</td>
</tr>
<tr>
<td><strong>GRADUATE MEDICAL EDUCATION REDUCTIONS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IME: 5.47% reduced to 2.2%</td>
<td>$369,625,500</td>
<td>$4,005,654,000</td>
</tr>
<tr>
<td>IME: 5.47% reduced by 10%</td>
<td>$61,830,800</td>
<td>$670,059,200</td>
</tr>
<tr>
<td>Direct GME: Per Resident Amount Cap</td>
<td>$78,292,500</td>
<td>$846,066,400</td>
</tr>
<tr>
<td><strong>POST-ACUTE CARE MARKETBASKET UPDATE FREEZE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IRF (hospital-based and FS): 0% update 2014-2021</td>
<td>$9,042,000</td>
<td>$527,770,600</td>
</tr>
<tr>
<td>SNF (hospital-based): 0% update 2014-2021</td>
<td>$1,545,900</td>
<td>$94,339,900</td>
</tr>
<tr>
<td>LTCH (FS:) 0% update 2014-2021</td>
<td>$3,067,700</td>
<td>$179,057,800</td>
</tr>
</tbody>
</table>

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1 Pennsylvanian impact of potential reimbursement reductions under consideration by the Super Committee established by the Budget Control Act (BCA) of 2011.
Options

- Increase retirement age ($125 billion)
- Means-testing ($38 billion)
- Reform and increase co-payments for Parts A & B ($110 billion)
- Medigap restrictions ($53 billion)
- Home health co-payments ($40 billion)
- Skilled Nursing Facility co-payments ($50 billion)
The Super Committee

Is failure (or sequestration) preferable?

- AARP . . . Medicare beneficiaries
- Anti-tax lobby
- Hospital community perspectives
  - Teaching
  - High Medicaid volume
  - Rural
  - Investor-owned vs. non-profit
Help to ensure a strong health care system for all Pennsylvanians.

Become part of the CareforPA.org community today!

www.CareforPA.org
Questions?

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