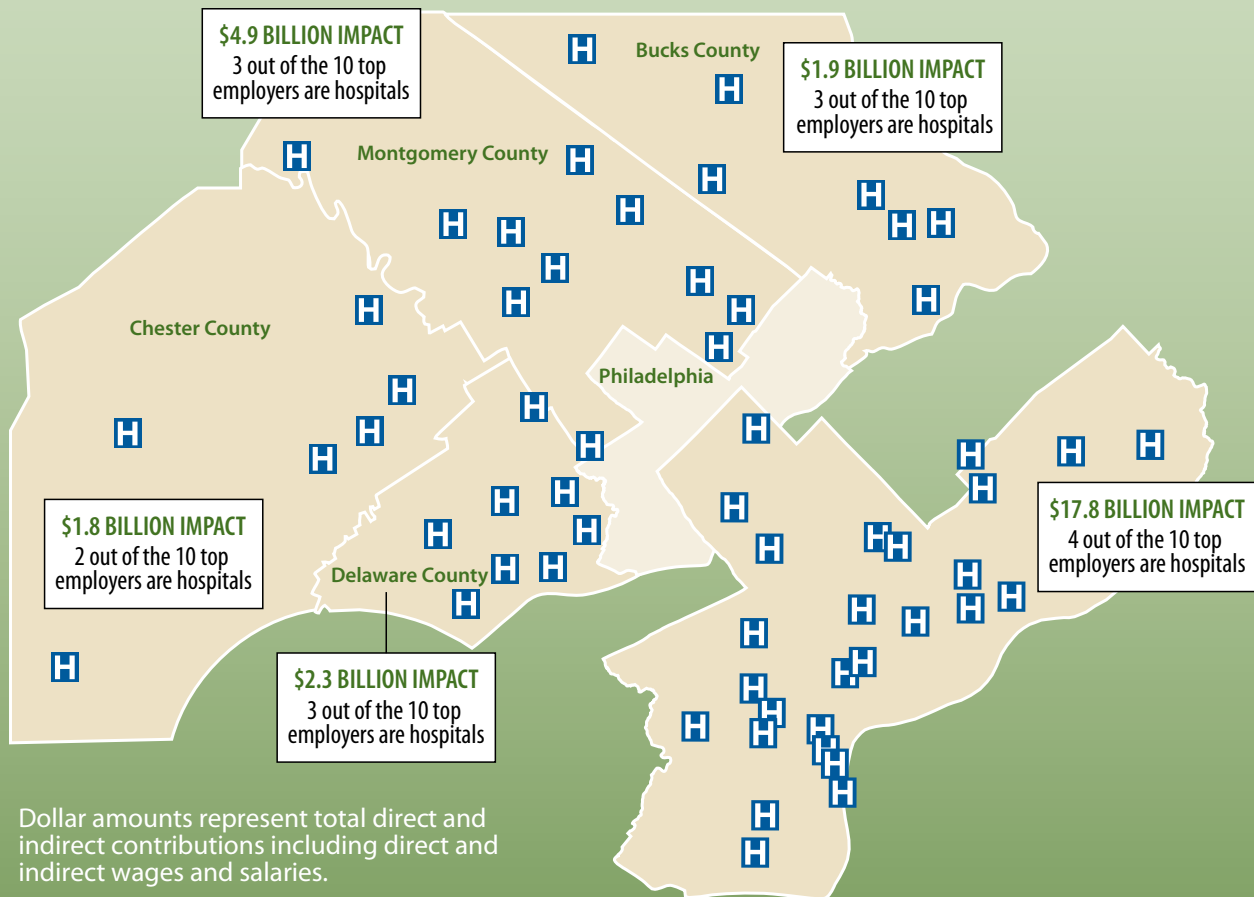




DELAWARE VALLEY HEALTHCARE COUNCIL  
*of The Hospital & Healthsystem Association of Pennsylvania*

# Report on Hospital Contributions in Southeastern Pennsylvania



- ✓ \$28.7 billion to the region's economy
- ✓ More than 200,000 hospital-related jobs





# Strong Hospitals, Strong Communities

Hospitals sustain and promote the health and economic vitality of their communities.

Each year hospitals in southeastern Pennsylvania care for nearly 590,000 inpatients and serve patients through nearly 10 million outpatient visits and 1.8 million emergency department visits. To improve community health, hospitals educate the general public, hold health fairs and screening events, and conduct support groups. Hospitals develop, fund, and support special services for the un- and under-insured and provide medical education and training for the next generation of caregivers.

Long a recognized foundation of the region's "eds and meds" economy, hospitals also provide crucial jobs and economic stimulus. In 2010, the region's 60 hospital facilities and 97,340 employees contributed \$28.7 billion to the economy of southeastern Pennsylvania.

## STIMULATING ECONOMIC GROWTH

Hospital contributions included \$12.4 billion in direct spending for wages and salaries, facilities, services, supplies, and other costs of operation and \$16.3 billion more in indirect economic stimulus. This added economic activity resulted as hospital-generated dollars circulated in surrounding communities. The U.S. Department of Commerce recognizes the stimulative effect of hospital spending and has calculated 2.3194 as the final demand output multiplier for Delaware Valley hospitals. Every dollar directly spent by hospitals results in an additional \$1.32 spent in other parts of the region's economy.

### **In SE PA, One in Ten Jobs Are Hospital-Related**

- ✓ 97,000+ hospital employees earn on average nearly \$60,000/year.
- ✓ 105,000+ hospital service-related jobs; average salary of \$46,400/year.

## PROVIDING GOOD JOBS

In 2010, hospitals directly or indirectly supported more than 203,000 jobs, more than 11 percent of the region's employment or more than one in ten jobs. Hospitals directly employed 97,340 people, providing family-sustaining wages with an average salary of nearly \$60,000 a year and solid benefits.

Five of the ten largest employers in Greater Philadelphia were hospitals. Hospitals ranked among the top five largest private-sector employers for Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties.

Hospital economic activity also indirectly supported the employment of an additional 105,760 workers with an average salary of \$46,400 a year. The U.S. Bureau of Economic Analysis's 2.09 employment multiplier for hospitals in southeastern Pennsylvania suggests that every hospital job supports more than one additional job in the region.



## MEDICAL EDUCATION

Southeastern Pennsylvania has 31 nursing schools, four schools of pharmacy, five medical schools, and 27 teaching hospitals. According to the Milken Institute's May 2009 assessment of 11 top life sciences clusters nationwide, Greater Philadelphia ranks highest in terms of medical degrees awarded. While pursuing careers related to health and health care, these students—and the family, friends, and visiting educators they draw—also contribute to the region's economy.

Health reform and aging demographics make the education of new physicians more important than ever. According to the Association of American Medical Colleges, shortages of doctors across all specialties will quadruple between now and 2015, when the Affordable Care Act takes full effect. The nation is projected to have about 63,000 fewer physicians than will be needed.

## RESEARCH AND INNOVATION

Major economic engines in their own right, hospitals are also centers of innovation and research that help fuel the growth of the region's life sciences industries.

Southeastern Pennsylvania's hospitals, academic medical centers, and their university partners collaborate to bring advancements in care to the marketplace, and most importantly, to patients, who may benefit from early access to advanced treatments. In FY 2009, hospitals and medical schools helped secure nearly \$620 million in National Institutes of Health funding for clinical research in the five-county region. The hospital community also helped attract about \$185 million in venture capital for biotechnology and health care services in the Greater Philadelphia area.

## Threats to Hospital Patients, Services, and Jobs

Citing large federal and state deficits, ongoing high unemployment and fewer well-insured patients, and uncertainty surrounding health care reform, Moody's Investor Service in February 2011 maintained a negative outlook for the U.S. not-for-profit health care sector.

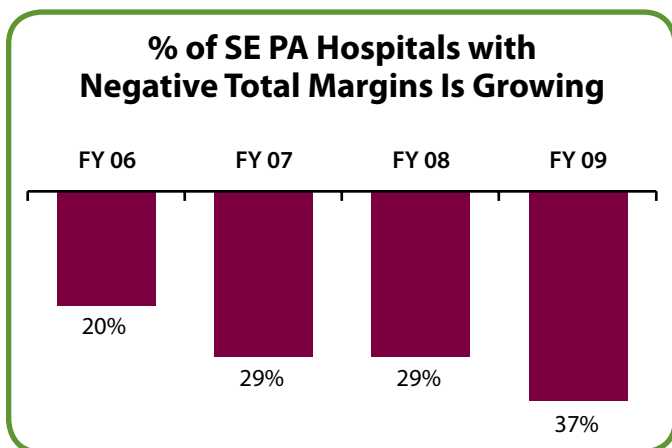
These national trends have resulted in a steady decline in the financial health of hospitals in southeastern Pennsylvania. The percent of hospitals with negative total margins nearly doubled from 20 percent in Fiscal Year (FY) 2006 to nearly 40 percent in FY 2009. In FY 2009, 75 percent of the region's hospitals had total margins below the 4-to-6-percent threshold considered adequate for long-term sustainability. At 2.01 percent and 1.13 percent, the median (middle) operating and total margins for southeastern Pennsylvania remained well below this threshold.

## MORE UNINSURED PATIENTS, MORE UNCOMPENSATED CARE

Uncompensated care—consisting of charity (free or discounted) care for un- and under-insured patients, financial assistance, and bad debt—represents medical services that hospitals have provided but have not been paid for. In FY 2009 the region's hospitals provided \$290 million in uncompensated care due in part to:

- A 15-percent increase in the number of uninsured adults in the region, from 9.8 percent of all adults in 2008 to 11.4 percent in 2010. Hospitals care for patients regardless of their insurance or financial status. As a result, when the number of people without insurance increases, so does the amount of unreimbursed charity care provided by hospitals.
- Accelerated growth of bad debt, especially bad debt from patients who have some form of health insurance. With the emergence of new kinds of health insurance products that place more financial responsibility on consumers, bad debt from insured patients is rising at twice the rate of bad debt overall.

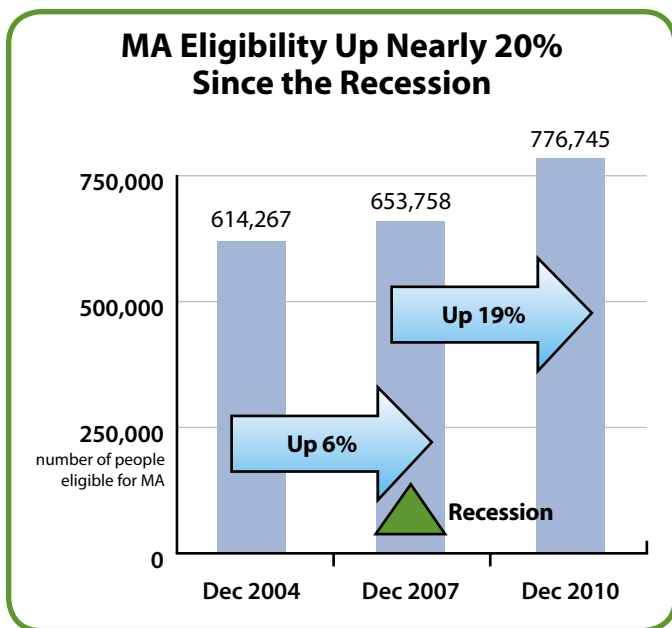
These increases in uncompensated care place added stress on hospital finances, undermining long-term financial stability.



## MORE MEDICAL ASSISTANCE

Enrollment in Medical Assistance (MA), Pennsylvania's Medicaid health insurance program for children, the disabled, the elderly, and people with low incomes, typically increases during recessions, as jobs and health insurance coverage are lost. Unfortunately, MA does not fully reimburse hospitals for the cost of care provided to enrollees. As a result, the more patients with MA a hospital serves, the more its financial stability is undermined.

In southeastern Pennsylvania, the number of people eligible to receive MA has grown nearly 20 percent since the onset of the recession in December 2007. Eligibility increased much faster (nearly 30 percent) in the suburbs than in Philadelphia (15 percent).



## What Needs to Be Done

Hospital payments for health care services provided to patients with MA must be protected and maintained, not cut as proposed in the FY 2011–2012 state budget.

### HONOR ACT 49 OF 2010

In particular, Pennsylvania should honor last year's agreement to modernize the MA hospital payment system, codified as Act 49 of 2010. This three-year agreement preserves patients' access to care, provides hospitals serving these patients with fairer reimbursements, and puts \$246.5 million more in the state's General Fund—without using a single dollar of state funds. Instead, the agreement relies on provider assessments and increased federal funding to bring additional resources to Pennsylvania.

### SUPPORT PATIENTS, HOSPITALS, AND COMMUNITIES

In addition, the hospital community urges the commonwealth to:

- Maintain MA coverage for health care for Pennsylvania's most vulnerable.
- Maintain important hospital supplemental funding for hospitals that serve large numbers of un- and under-insured patients and hospitals that provide crucial trauma, obstetrics, and burn services, so that hospitals are fairly compensated.

With recovery struggling to get out of low gear and unemployment remaining high, communities throughout the region and state rely on their hospitals more than ever. Hospitals are there to help, "24/7" regardless of whether those needing assistance have jobs, income, or health insurance. Whether affluent or struggling, neighborhoods depend on hospitals for services, steady employment, economic stimulus, and job growth. Pennsylvania must support and strengthen, not weaken, its hospitals. They are invaluable community assets.



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