

# CLOSING OUT

## Healthcare: Economic Engine or Economic Burden?

BY HAROLD D. MILLER

**T**he healthcare industry has been good to Pittsburgh in many ways. It provides jobs for one of every seven workers in the region with wages higher than the regional average. Many construction jobs have been created by building new hospitals, expanding existing hospitals, and building or renovating outpatient facilities across the region.

But where does the money to pay for all of those jobs and construction projects come from? One way or another, most of it comes from the wallets of the region's workers. Those who buy their own insurance see all too clearly how expensive healthcare has become, first when they pay large premiums and later when they pay even more to receive healthcare services. Those who get coverage through their employers pay indirectly by receiving wages and salaries that are lower than if insurance was less expensive. (Pennsylvania's average employer-sponsored family premium of \$17,344 in 2015 was equivalent to 1/3 of average annual earnings in the Pittsburgh Region, and the \$6,286 average premium for a single individual was more than 40% of earnings in a minimum wage job.) Nearly one-third of everyone's federal taxes and one-fourth of their state taxes pays for healthcare costs under Medicare and Medicaid.

The high cost of health insurance means communities have less money to spend on roads and other infrastructure and less money to invest in education and other services. Workers have less money to spend on other products and services, and that slows job creation and construction projects in other industries. Many citizens also face difficult choices between paying for health care and paying for food, rent, and other necessities. This is all getting worse every year, because healthcare spending is growing faster than inflation. Congress has struggled with how to improve access to health insurance, but insurance won't be affordable if we don't reduce the cost of healthcare.

The answer to high costs isn't to deny care to patients but to deliver care in a better way. Today, many people are hospitalized because their health problems are not being effectively managed, they experience treatment complications and hospital-acquired infections that could have been avoided, or they receive tests and procedures that simply aren't needed. Many others are receiving services they do need but the providers are inefficient or they charge far more than is necessary. The National Academy of Medicine has estimated that 30% of healthcare spending could be eliminated without harming patients. If we eliminate the unnecessary services and deliver the necessary services more cost-effectively, insurance would be more affordable and hundreds of billions of dollars in savings could be spent on other projects and services.

Innovative healthcare leaders around the country, including the Pittsburgh Regional Health Initiative, have shown that providing more services to patients in their homes or communities rather than in hospitals can not only reduce spending but achieve better outcomes for patients. For example, better home support for patients with chronic diseases such as heart disease and emphysema results in fewer emergency room visits and hospitalizations; better care in community oncology practices results in fewer cancer patients needing to be hospitalized for complications of chemotherapy; and more effective use of physical therapy reduces the need for risky and expensive back surgery.

Projects that reduce the need for hospital services can achieve big savings because hospital services are the largest single component of healthcare spending and the biggest cause of the growth in total spending in recent years. But fewer hospital services means that many communities won't need as many hospital beds in the future. The impact will be bigger in Pittsburgh than in most regions because southwestern Pennsyl-

vania has more hospital beds per capita than most regions in the country, residents here are hospitalized more frequently than in other regions, and Pittsburgh is one of only two major regions in the country that continues to lose population.



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The affordability and quality of healthcare is determined locally, not in Washington, DC. Continuing to deliver and pay for care as we have in the past may result in more jobs in healthcare, but fewer jobs and lower wages in every other industry. Although the Pittsburgh region's large healthcare sector helped soften the blow from the 2008 recession, it hasn't boosted the regional economy during the recovery. Over the past four years (2012-2016), the number of jobs in the Pittsburgh Region increased by only one half of one percent (0.5%), the slowest growth by far among the 40 largest regions in the country.

Redesigning care delivery to focus more on primary care and home care and less on hospital care would boost the region's economy, not harm it. Reducing spending on hospital services would allow lower insurance premiums, make businesses more competitive, and allow more investment in infrastructure and other projects. Moreover, one of the best ways to attract more jobs and families would be to offer more affordable healthcare than other regions. **BG**

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