Universal Healthcare in the US: Economic Disaster or Economic Engine?

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Can investment in the healthcare industry, which has grown despite the recession, infuse the nation’s economy and provide access to cost-effective, quality care?
Healthcare and the Economy
Growth In Health Care Spending

* 18% GDP
* Feds and states paid 45% of $2.6 trillion in 2010
* Costs estimated to increase to $4.6 trillion in 2020
* Greatest amount of healthcare dollars spent on 5% of population
* Uncompensated care costs $61 billion
* 49.1 million under age 65 uninsured in 2010
  * 30% between 19 and 25 years
Factors that presently fuel healthcare industry and support employment

* Aging workforce
* Aging population
* ACA
  * increased eligibility (no pre-existing conditions exclusions; children stay on parents plan till 26)
* Potential 35 million newly covered people
Office-based physician industry supported $1.4 trillion in total economic activity in 2009

* Connecticut office-based physicians supported >51,000 jobs and contributed $14 million in state and local tax revenue

* Florida healthcare firms generated over $18 billion in revenue

(AMA February 2011)
$52 \text{ BILLION}

In total value added to the regional economy annually by the Dallas-Fort Worth health care industry

601,000 \text{ JOBS}

Supported by the health care industry in DFW

15\% \text{ OF THE DFW ECONOMY}

The health care industry plays an essential role in the DFW economy, and is one of the largest economic sectors in the region.

$49 \text{ BILLION}

Based on the number of jobs, the direct output of the DFW health care industry was about $4.9 billion dollars in 2016. In addition, property income in the form of rents, royalties, dividends, and corporate profits increased $13.3 billion in the region. And even though many of the entities in the delivery of health care services operate as non-profit, indirect taxes in the form of property taxes, sales taxes, and fees boosted state and local public sector revenues by $2.5 billion.

331,000

The DFW health care industry directly supports almost 331,000 jobs in the DFW region. Health care services, including hospitals, offices of physicians, dentists, etc., dominate health industry landscapes employing over 281,000 people.

$36 \text{ BILLION}

The DFW health care industry supports $3.6 billion in annual salaries, wages, and benefits.

$5 \text{ BILLION}

From 2005-2015, over $5 billion in health care industry related construction projects have been completed or are expected to be completed. These construction projects indirectly employ thousands of people, from architects, lawyers, engineers, material fabricators, and more. In total, these projects will generate $19.7 billion in economic activity.
Community Health Centers

- Generated over $20 billion
- Produced 189,000 jobs in most economically disadvantaged neighborhoods
- By 2015 will generate $53.9 billion and create over 284,000 jobs

- Every $1 million in federal funding for health center operations yields $1.73 million in economic return
Research

* Federal and state funded research at medical schools and teaching hospitals added $45 billion to nation’s economy
* Medical research conducted at AAMC institutions supported nearly 300,000 jobs
High Employment Despite Recession

1 out of 8 jobs in workforce

Almost 1/3 of professional degrees are in healthcare

Hospitals and doctors’ offices employ large numbers of varying education backgrounds

Role schools play in educating workforce

- 16 million in industry
- 360,000 hired in 12 months
- 61,000 new jobs
Economists view labor productivity across three categories

* Savings and investment
* Education and training
* Technology

Increases in any or a combination of the three will raise economic growth.
Does not have lowest unemployment rate but significant increase in employment rate occurred from February 2011 to February 2012

- Highest incomes

- Commonwealth Fund
  - MA ranks in top quartile of performance indicators
  - Estimated gross state product expanded at annual rate of 4.2% - over twice that of the nation
State labor market regained over 50,000 jobs since its low point in August 2009

- State unemployment rate peaked at 8.8% in 2009 fell to 7.6% in May 2011
- Occurred during a period of expanded healthcare coverage through mixed public-private approach
- In three month period from January to March 2012, 6 indicators contributed to forecast of above trend growth
- Nearly 1 in 5 household in the state has earnings from a health care related job
Massachusetts Healthcare
* Spends more on health care than any other state
* Per capita spending is 15% higher than national average
* Highest individual market premiums
  * Over past year some slowing
    * Decreased utilization and increased pressure by state regulators
  * Large variations across state
    * Pricing and utilization
High costs not caused or accelerated by health reform

Massachusetts traditionally a high spending state

- Rooted in demographics, insurance coverage, health care market structure
  - More specialists, teaching hospitals, large hospital system
  - Variation across state
* ACA implementation
  * Governments likely to spend $92-$129 billion less from 2014-2019
    * Stems from provision reducing the uninsured population
    * Increasing federal support for healthcare previously financed by states

* Trimming state and federal healthcare costs coupled with need for larger workforce
  * Economically sound and fiscally advantageous
Broken Window Fallacy

Economist Harry Hazlitt

* First published in 1946
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References


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