

The Economic Crisis and Healthcare

Background

A recent CMS study published in *Health Affairs* found that in 2007, healthcare spending growth slowed to its lowest rate since 1998. Slower growth was largely attributed to reduced retail prescription drug spending and government administration. The healthcare portion of gross domestic product (GDP) was 16.2 percent, slightly higher than the 16.0 percent share in 2006. With the exception of prescription drugs, most other healthcare services grew at about the same rate as or faster than in 2006.

Hospital spending growth increased 7.3 percent in 2007 to \$696.5 billion. However, the growth in payments to hospitals for patient services slowed from 4.4 percent in 2006 to 3.5 percent in 2007. The cost of providing that care also increased by 3.5 percent. Higher utilization accounted for just over half of the growth in spending on hospital care.

The study notes that recent history has shown that health spending remains somewhat insulated from the effects of a slowing economy and has increased as a share of Gross Domestic Product (GDP). However, given the uncertain economic climate and recent shifting of payment responsibilities in the healthcare system, the interaction between the economy and the share of it devoted to health spending will continue to be closely watched.

Impact on Patients

The economic crisis is affecting hospitals and the patients they serve in a myriad of ways and the final impact on hospitals is unclear. Hospitals are continuing to adjust how to best provide care to their communities as the impact of the financial downturn plays out.

However, it is certain that with a slowing economy, patients and communities will depend upon their hospitals more than ever. An increasing number of patients will lack coverage options and ultimately seek treatment through the emergency room – the costliest option for care. U.S. hospitals in 2007 provided \$34.0 billion in uncompensated care to patients.

Employers already are facing challenges in providing insurance coverage to their employees. If more companies find it difficult to provide coverage, hospitals will see more patients who have less ability to pay for their care. Currently there are over 46 million people in the U.S. without health insurance and many more who are underinsured. In Utah, more than 380,000 people lack health insurance.

Our aging population is placing increased demands on our healthcare system. Additionally, serious public health problems, such as obesity, hypertension and asthma often go untreated in millions of Americans, eventually increasing costs as we confront the multitude of serious complications they cause.

The shortage of healthcare workers is also affecting care in every setting and is driving up costs for nurses, pharmacists, technicians and others – the people whose skills we rely on to keep the system working for all who need it. Rising wages and salaries account for about three quarters of the increase in the cost of caring for patients in hospitals.

Call to action

Financial stress is forcing hospitals to make or consider making cutbacks to weather the economic storm, including cutting administrative costs, reducing staff and eliminating services. State and federal budget difficulties raise worries about potential cuts to Medicare and Medicaid, which cover half of the care provided by the nation's hospitals. In this time of economic crisis, finding solutions to help care for those most in need must be a top priority.

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