

HealthCare Industry

This paper describes the trends and issues in health care industry throughout the nation and compares it to those in Indiana. Current trends and those projected for 2012 are discussed and issues such as reasons for the changes in the trends, employment, working conditions, training, earnings, and outlook will be discussed.

Establishments primarily engaged in furnishing medical, surgical, and other health services to persons are included in the **Standard Occupational Classification (SOC) major group 29 and 31**¹. Healthcare services industry includes professional occupations like physicians, surgeons, dentists, physical therapists, registered nurses and non professional occupations such as nursing aides, home health aides, building cleaning workers, dental assistants, medical assistants, and personal and home care aides.

Important points from the U.S Department of Labor, Bureau of Labor Statistics²

1. As the largest industry in 2002, health services provided 12.9 million jobs—12.5 million jobs for wage and salary workers and about 382,000 jobs for the self-employed.
2. Ten out of 20 occupations projected to grow the fastest are concentrated in health services.
3. About 16 percent of all new wage and salary jobs created between 2002 and 2012 will be in health services—3.5 million jobs, which is more than in any other industry.

Nature of the Industry

The health care industry consists of nine segments such as, hospitals, nursing and residential care facilities, offices of physicians, offices of dentists, home healthcare services, offices of other healthcare practitioners, outpatient care centers, other ambulatory healthcare

services, and medical and diagnostic laboratories. Three-fourths of all health services establishments are offices of physicians, dentists, or other health practitioners. Although hospitals constitute only 2 percent of all health service establishments, they provide employment to about 41 percent of all workers in the industry.

Table 1. Percent distribution of wage and salary employment and establishments in health services, 2002		
Establishment type	Establishments	Employment
Health services, total	100.0	100.0
Hospitals, public and private	1.9	40.9
Nursing and residential care facilities	11.7	22.1
Offices of physicians	37.3	15.5
Offices of dentists	21.6	5.9
Home healthcare services	2.8	5.5
Offices of other health practitioners	18.2	3.9
Outpatient care centers	3.1	3.3
Other ambulatory healthcare services	1.5	1.5
Medical and diagnostic laboratories	1.9	1.4

Table taken from the Bureau of Labor Statistics – Health Services

Current trends in healthcare industry

Healthcare industry is one of the rapidly changing industries and changes in this industry are mainly due to factors such as technological advances, clinical developments, advances in medical and information technologies, choice of the consumer, and changing insurance policies. These changes continue to reshape not only the nature of health services workforce, but also the manner in which health services are provided.

Growing competition and technological advances led to the design of new equipment, which enable the physicians, and other healthcare providers to diagnose medical illness and take timely precautions. Clinical developments such as organ transplants, stem cell growth, gene therapy, and less invasive procedures increase the longevity and improve the quality of life for many people. Emerging new careers in healthcare lead to continuing and extensive research in various medical fields, which not only improve quality of life, but also provide increasing job opportunities. Insurance policies are probably the most important factors in shaping the healthcare industry in these days. Cost containment is one, which is leading to growing emphasis on providing services on an outpatient, ambulatory basis, limiting unnecessary or low-priority services, and stressing preventive care, which eventually reduces the cost of undiagnosed and untreated medical conditions. Managed care programs – preferred provider organizations, health maintenance organizations, and hybrid plans are growing continuously.

Employment and trends

Healthcare industry has provided 12.9 million jobs – 12.5 million for wage and salary workers and about 382,000 jobs for the self-employed. Of the 12.5 million wage and salary jobs, 40% were in hospitals, 22% in nursing homes or residential care facilities, and 16% in physician offices.

- Health services jobs are found throughout the country, but are concentrated in the largest states, such as **California, New York, Florida, Texas, and Pennsylvania.**

Table 2. **Employment of wage and salary workers in health services by industry segment, 2002 and projected change 2002-12** (Employment in thousands)

Industry segment	employment 2002	% change 2002-12
All industries	132,279	16.3
Health services	12,524	28.0
Hospitals, public and private	5,148	12.8
Nursing and residential care facilities ...	2,743	34.3
Offices of physicians	1,983	38.8
Offices of dentists	726	30.9
Home healthcare services	675	55.8
Offices of other health practitioners	482	48.8
Other ambulatory healthcare services	184	47.5
Medical and diagnostic laboratories	174	37.6

From: U. S. Department of Labor – Bureau of Labor Statistics-Health Services.

- Medical group practices and integrated health systems will become larger and more complex, increasing the need for office and administrative support workers.
- Employment growth in the hospital setting is much less because of the efforts to control hospital costs and the increasing utilization of outpatient care and other alternative care systems.
- Fast growth is expected for workers in occupations concentrated outside the inpatient sector, such as medical assistants and home health aides.
- Many facilities have cut the number of middle managerial positions, while creating new positions as they diversify.
- Health service firms employ large numbers of workers in professional and service occupations. Together these two occupational groups account for 3 out of 4 jobs in the industry.

Healthcare costs

In a statement before the Special Committee on Aging, U.S. Senate, Nicholas LM, vice President of the Center for Studying Health System Change says, “The U.S. health care system is undergoing a period of growing stress. Rising health care costs and health insurance premiums, combined with the recent slowdown in economic activity, have forced many employers and workers to make tough choices about who will bear the brunt of cost increases and who will risk going without health insurance. The system looks like it is in a crisis when, for fear of out-of-pocket cost, an uninsured woman does not seek care until symptoms have persisted and worsened, and then discovers it is too late for even our incredible delivery system and dedicated professionals to save her”³. (See the Appendix)

- A typical group family insurance cost in 2002 is \$7,954 (single \$3,060)⁴. This is 15% of the American median family income of about \$52,000³.
- A typical group family insurance premium was about 8% of the median family income in 1997.
- Only about 35 percent of families make enough to prevent more than 10 percent of their gross income from going toward the purchase of health insurance for their family in 2003³.(either in foregone wages or out-of-pocket payments)

Outlook

According to the Bureau of Labor Statistics,

- Health services workers at all levels of education and training will continue to be in demand.
- Wage and salary employment in the health services industry is projected to increase 28 percent through 2012, compared with 16 percent for all industries combined⁵.
- Employment growth is expected to account for about 3.5 million new wage and salary jobs—16 percent of all wage and salary jobs added to the economy over the 2002–12 period. (Table 2)
- Projected rates of employment growth for the various segments of the industry range from 12.8 percent in hospitals, the largest and slowest growing industry segment, to 55.8 percent in the much smaller home healthcare services.
- Employment growth in the hospital setting is much less because of the efforts to control hospital costs and the increasing utilization of outpatient care and other alternative care systems.

- Demand for dental care will rise due to population growth, greater retention of natural teeth by middle-aged and older persons, greater awareness of the importance of dental care, and an increased ability to pay for services.
- The effects of office automation and other technological changes will slow employment growth in office and administrative support occupations, but because the employment base is large, replacement needs will continue to create substantial numbers of job openings.
- Healthcare professionals who are expected to retire by the year 2012 may cause a number of job openings nationwide.

Healthcare industry in Indiana

In his report for the Indiana health industry forum 2003, Thomas P. Miller and associates says, “The health industries are major Indiana employers. In 2000, they accounted for one in ten Indiana jobs and generated \$11 billion in wages. They employed over 277,000 people. These numbers should grow substantially, since the health industries in Indiana are projected to provide 40,000-45,000 job openings (new jobs and replacements) between 2003 and 2008.” They also mentioned that for those critical occupations that required college degree, there is always a shortage of the number of workers who graduate and the state workforce demands ⁶.

Medical manufacturing faces other problems such as shortage of medical engineers. Although Indiana’s universities and colleges produced over 1000 engineers, many left the state and the remaining did not meet the demands of medical manufacturing. Another issue is that major employers are reluctant to turn very expensive medical equipment into the inexperienced hands.

Some of the problems cited in the report are:

- Lack of effective education and training programs at Indiana institutions.
- Unevenly distributed education and training programs. These programs are not located where the employers are concentrated.
- Decline in the number of new licenses issued to registered practitioners.
- Lack of collaboration between the Indiana Health Industries Forum, employers, and the educational organizations.
- Lack of state policy and commitment on healthcare.

Health services costs and Indiana economy

- According to Leslie Zwiern in Indianapolis Business Journal, health services growth is not encouraging. Cost inflation and the increasing number of uninsured are serious obstacles to Indiana economic recovery, its long-term growth and a balanced state budget ⁷.
- Patrick J. Kiely, president of the Indiana Manufacturer's Association, says, "The excessive cost of health care is one of the fundamental impediments for employers to hire more people or relocate to Indiana."
- Indiana workers earn 11.6 % less than the national average, partly due to the common employer practice of substituting health insurance contributions for wage increases ⁷.
- State insurance program (Medicaid) covers only one-fifth of the nonelderly residents with incomes at or below the federal poverty level, compared to 29% nationally ⁷.
- Annual increases in healthcare costs increase the budget deficits as they rob other public services like education, public safety, and child welfare.
- Indiana ranks 22 in the percentage (11.8%) of insured population in the nation (14%).
- Between 1998 and 2002, spending on patient care at Indiana hospitals rose at an annual growth rate of 7.4% compared to a national average annual growth rate of 7.8%.

Health Service jobs in Indiana

Indiana's health and life sciences industries will offer 45,000 job openings to Hoosiers over the next five years, according to a workforce development study released on June 03, 2003 by the Indiana Health Industry Forum (IHIF). In the healthcare industry, the study identifies a dire need for registered nurses, technologists and therapists, as well as pharmacists ⁸.

References:

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Appendix

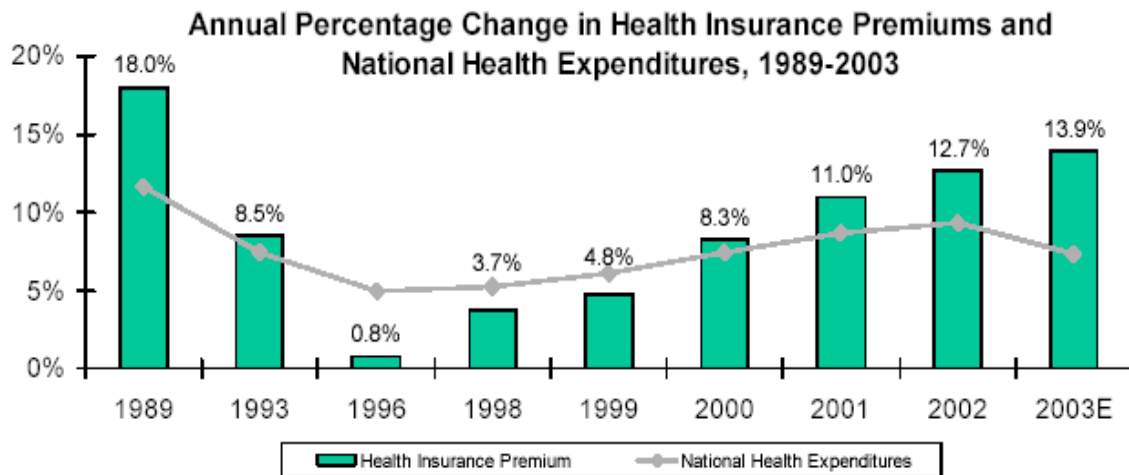
GROWTH OF NATIONAL HEALTH EXPENDITURES AND PROJECTED GROWTH

TILL 2011

Growth in National Health Expenditures 1980–2000

	1980	1993	1998	2000	2011*
Total NHE (B)	246	888	1150	1300	2815
Nursing Home and Home Health Costs (B)	20	88	123	125	237
Per Capita Costs (\$)	1067	3371	4177	4637	9216
% of GDP	8.8	13.4	13.1	13.2	17.0

Source: Levit et al. Health Affairs 2002;21:172–181.
*Projection from Heffler et al. Health Affairs 2002;21:207–218.



Sources: Health Spending Rebound Continues in 2002, Health Affairs, January/February 2004; Health Spending Projections for 2002-2012, Health Affairs, Feb 7, 2003; Cost of Caring, PricewaterhouseCoopers, 2003; Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001, 2002; KPMG Survey of Employer-Sponsored Health Benefits: 1993, 1996; Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Statistics Group, National Health Accounts.