

**ECONOMIC OUTLOOK AND REVENUE ASSESSMENT COMMITTEE**  
**Idaho Hospital Association**  
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General Questions:

Since I am not an economist and have no expertise to answer the first three questions, I would like to give you the demographics of the hospital community in Idaho:

24 Governmental Hospitals

12 County

10 District

2 State

2 Federal

22 Private Hospitals

14 501(c)(3)

8 For profit, including 4 physician-owned hospitals and 1 long term acute care hospital (LTACH)

4) How will your industry and/or company perform over the next 18 months?

With over 20,000 employees, hospitals are major contributors to Idaho's economy. Hospitals offer high-quality, high paying jobs and consistent job growth, even in times of economic stress. A community's need for medical services does not decline in times of economic downturn. Even in such times, hospitals are likely to see increased number of patients, especially the uninsured ones. Idaho needs to be sure that we continue to develop initiatives to increase the number of insured in our state. Continued restraint in reimbursement from governmental payers and high deductible policies will continue to drain financial resources in Idaho hospitals.

5) Do you know of any companies that are planning on moving operations into or out of Idaho in the next 18 months?

Another physician-owned specialty hospital is planned and had a ground breaking ceremony in Boise late last year. Two long term acute care hospitals (LTACH) are under construction in Boise, due to open sometime this year, and another LTACH has

been operational for about a year in Post Falls. We understand that still another has expressed interest in locating to Pocatello. Other hospitals around the state are expanding their facilities and building off-campus treatment centers to keep up with the rapid growth in population, particularly here in the Treasure Valley. However, the recent Supreme Court decision in Frazier vs. Boise City has had a major impact on the ability of public hospitals in Idaho to expand, modernize facilities and even purchase major medical equipment.

- 6) What policies should Idaho follow to promote economic growth and higher wages?

Funding for healthcare workforce programs at colleges/universities is crucial to sustain the demand for health care services placed on healthcare entities by the population growth being experienced in Idaho. Healthcare offers good paying jobs with good benefits. No business is likely to relocate to Idaho without good healthcare available to its workforce.

Specific Questions:

- 1) What is the current state of Idaho's medical services sector?

Despite extreme challenges in rural communities, Idaho has an excellent level of medical care provided to its citizens. However, we do have a looming workforce crisis. We also have an extreme shortage throughout the state for mental health services, and while there is still a long way to go there also is a lot being done to try to alleviate this problem. Further, the sector is much too fragmented without much coordination among subsectors. The existing incentives in the system are driving the fragmentation. There is also a shortage of physicians, particularly in rural areas, with an alarming dearth of primary care physicians.

- 2) What percentage of the state's economy does the medical services sector constitute?

In 2005, net revenue for all of Idaho's community hospitals was a little over \$2 billion, with expenses being a small amount below that. If my calculations are correct that is about 4% of the state gross state product. The federal Center for Medicare and Medicaid Services or CMS, Office of the Actuary reports that in 2004, public and private

health care spending in Idaho totaled \$5.6 billion, representing 13% of the state gross product. More recent data is not available.

- 3) How does the positive or negative performance in the state's medical services sector affect General Fund revenues?

Regardless of their tax status, hospitals contribute to Idaho's tax base. Wages and salaries paid by hospitals are subject to federal, state and local taxes. Idaho hospitals pay over \$1 billion in payroll and benefits. Hospitals provide jobs for local residents and purchase goods and services from other businesses in their own communities. This "ripple effect" results in over 41,000 Idaho jobs. The effect of hospital expenditures on total output in the state economy is \$3.6 billion. In rural areas, hospitals are often one of the largest employers in the community. In these communities, which often struggle to attract and retain college graduates, rural hospitals provide a source of high-tech jobs for young people who might otherwise leave the communities. Rural hospitals also provide an anchor for other healthcare jobs, such as physicians and pharmacists which, in the absence of the hospital, may not be available. Total direct and indirect employment generated by healthcare is often 10-15 percent of a rural community's employment.

- 4) How is Idaho's medical services sector likely to perform over the next 18 months? What have been the historic spending growth trends in this sector and how are they likely to trend over the next 18 months? How have employment levels and payrolls changed in this sector in recent years and how are they likely to change over the next 18 months?

Between 2001 and 2005, hospital gross revenues in Idaho have increased more than 46%, however, recent trends are showing a somewhat lower growth rate since 2005. Hospital utilization trends show a shift from inpatient care to outpatient with the former going down and the latter going up. Employment levels have increased steadily, particularly in high growth areas like Treasure Valley, where hospitals are trying to keep up with the demand.

- 5) What are the primary reasons for health care costs rising faster than general inflation?

Rising costs of purchased goods and services

Rising level of uninsured

Wages and salaries

A growing and aging population

High cost chronic diseases

Obesity

Hospital patients are sicker

Cost of medical and information technology

Below cost reimbursement from governmental payers

Fragmented system with perverse incentives

### Conclusion

The health care system is unsustainable in its present form. We need large scale reform to enable us to spend the money we have in the system more wisely. While this cannot happen overnight we need to fix the system along the lines of the following five principles:

Principles for reform:

1. Focus on Wellness
2. Most Efficient Affordable Care
3. Highest Quality Care
4. Best Information
5. Health Coverage for All Paid for by All