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The Economy's Steady Pulse; Health-Care Sector Is Poised to Keep Expanding, but So Are Its Costs

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Health care has become the beating heart of America's economy.

In the past 15 years, the health-care economy has pumped out 4.5 million new jobs, including related fields such as drug development and health insurance. A dozen of the 30 fastest-growing occupations are related to health care. Even last month -- as the unemployment rate took its biggest jump in 22 years -- health care continued to add thousands of jobs.

No other industry matches this rapid growth spurt. Globalization has closed factories. New technologies have shrunk retailers and agriculture operations. Few jobs have been created in the finance and insurance industry recently, with the exception of health and real estate. Then the housing bubble burst.

And despite the flashy success of Web 2.0 companies such as Google and Facebook, the current tech economy -- telecom, software, electronics and throngs of techie start-ups -- still employs fewer Americans than at the height of the dot-com boom.

The health-care economy is only bound to grow larger. The aging baby boomer population is about to spur a new wave of health-care needs. Advances in technology are improving the survival rate of terminally ill and injured patients, who need extended therapy and care.

The health-care economy now employs about 16.5 million Americans. In the past three decades, the total national spending on health care has more than doubled to 16 percent of the gross domestic product. The Congressional Budget Office forecasts that by 2082, rising health care costs will push that spending to nearly 50 percent.

On Monday, the Senate Finance Committee will host a day-long summit on health care, meant to help prepare legislators to wrestle with how they might approach reforming it.

Clearly, health care comes at a steep cost to the public and individuals. At the same time, it has brought about economic benefits, such as creating a second life for older manufacturing cities. Manufacturing, as a percentage of the GDP, has been cut in half in the past 30 years.

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The auto industry has been steadily shrinking in greater Detroit, for example, shedding tens of thousands of car manufacturing jobs in the past decade. Ford plans to cut white-collar salary costs 15 percent by August, laying off an unspecified number of workers.

Next year, the Henry Ford Health System, named after the father of the modern assembly line himself, plans to open a \$350 million community hospital that will employ 1,600 new hires.

Cleveland has emerged as a prime location for medical care and research. Longtime manufacturers, like machine-tool behemoth Warner & Swasey, that once dominated the region's economy, been replaced by the Cleveland Clinic and University Hospitals, two of the state's largest employers, and more than 500 companies providing medical goods and services.

"In this global economy, we knew we needed to stimulate a new economy in what we have skills in," said Baiju Shah, president and chief executive of BioEnterprise, which has helped develop the region's health-care industry. "Health care is one of those shining spots for Cleveland."

Cleveland's historic manufacturing sector is shifting its production to supply the growing biomedical device companies. Before leaving the area, automotive and aerospace conglomerate TRW donated its headquarters to the Cleveland Clinic.

Around the country hospital systems are expanding, especially into suburbia.

"Growth among suburban hospitals is not because they're major research centers, rather because that's where patient volumes are growing," said Anirban Basu, health economics expert and chief executive of the Sage Policy Group, a Baltimore economic consulting firm.

Hospital Corp. of America, Virginia's largest for-profit health-care provider, and rival Inova Health System, Northern Virginia's largest nonprofit hospital chain, are battling for territory in Loudoun County, one of Washington's fastest-growing regions.

Thanks to Johns Hopkins University and the University of Maryland, more than half of Baltimore's top 10 employers are in the health-care industry.

"The message we're sending out is that the universities are open for business," said Brad McDearman, executive vice president of the Economic Alliance of Greater Baltimore. "They're not just locations for health care and research. They can help take an idea out to the marketplace so it can be a part of patient care."

Health care dominates in cities such as Pittsburgh and Memphis, said Gerard Anderson, a Johns Hopkins professor who specializes in health-care economics.

"Health care is either the largest or second-largest producer of jobs and good works for that community," he said. "Often, the nicest building in the city is the hospital."

On the West Coast, Henry J. Kaiser's booming World War II steel mill and shipyards have since dissolved. But Kaiser Permanente, the organization that took care of his workers, has grown to become the leading U.S. health plan and provider, employing more than 13,000 physicians nationwide, as well as scores of caretaker, administrative and technical employees.

Local counties striving for growth are crafting economic development strategies around health-care research and development. Loudoun's department of economic development has set its sights on the life sciences, hoping Howard Hughes Medical Institute's \$500 million Janelia Farm research center will help put the growing county on the biotechnology and medical devices map. The business park Innovation at Prince William aims to turn the western end of the county into a life sciences and high-tech business hub.

By 2016, the Bureau of Labor Statistics predicts health-care employment to double the projected growth of all other industries combined.

"It's one of those industries that doesn't seem to be affected by economic downturn," said Terry Schau, an economist at the bureau. "People get sick, and they're going to need health care. The state of the economy may affect their ability to pay but not the demand."

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Yet this rampant growth comes with a hefty price tag. The United States spends more on health care per person than any other industrialized country, according to the Organisation for Economic Co-operation and Development. Last year that totaled about \$7,600 per person, the National Coalition on Health Care said.

Expenditures on technological advances, such as new machines and disease treatments, is a major factor in driving the long-term growth of health-care costs, contrary to popular belief that aging baby boomers are the main culprit, analysts said.

Federal outlays on Medicare and Medicaid are a ballooning portion of national spending -- rising from 4 percent last year to an anticipated 19 percent of GDP by 2082 -- and a growing contributor to the nation's budget deficit.

Health insurance is already too costly for many average Americans, leaving 47 million uninsured.

"Already we see some people making choices between prescription drugs and food," Anderson said. "It's just going to get worse."

Even as costs rise, there aren't any signs of the health-care economy abating. And although that economy may have created jobs, the nation is still figuring out how to pay for it.

"Comprehensive health reform won't drop out of the clear blue sky," Senate Finance Committee Chairman Max Baucus (D-Mont.) said in announcing Monday's summit. "We have to do some legwork first."

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GRAPHIC: IMAGE; By Amy Sancetta -- Associated Press; Maria Siemionow performs surgery at the Cleveland Clinic. As Cleveland has lost manufacturing jobs, it has emerged as a prime spot for medical care and research.

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