

**Center for Health Workforce Planning
Bureau of Health Care Access
White Paper Describing the Economic Impact and Opportunities
Created by the Health Sector and the Health Workforce
October 17, 2003**

This paper states the impact of the health workforce and health sector on the national, state and local economies. It summarizes opportunities to maximize the synergistic effect of the economy and the health sector, particularly in rural Iowa communities. Recommendations are made for economic development based on the health sector and workforce.

Health Sector Impact on the National Economy

Health care continues to be among the fastest growing sectors of the U.S. economy. From 1970 to 2002, the health care consumption percentage of the U.S. Gross Domestic Product (GDP) doubled from 7 to greater than 14 percent. The Centers for Medicare and Medicaid Services project that health care consumption will account for 17 percent of the U.S. GDP by 2011 (DeVol and Koeppe, 2003). The federal Bureau of Labor Statistics projects employment in health occupations to increase from 10.9 million in 2000 to greater than 14 million by 2010. In that same period, the growth rate for new job creation in health care occupations is expected to be 28.8%, more than double the growth projected for non-health occupations. Between 2000 and 2010, more than 5.3 million people will be needed to fill health occupation positions resulting from departures and increases in new positions in the health workforce. Health occupations account for 15 of the 30 predicted fastest growing occupations in the U.S. from 2000 to 2010 (Center for Health Workforce Studies, 2002).

Health Sector Impact on the State and Local Economies

Iowa Workforce Development data show health services to be one of Iowa's top industries for job creation (23,440 jobs) from 1998 to 2008, second only to business services. A study released by the Iowa Hospital Association places the annual economic impact of the health sector at \$9.5 billion, with health care generating one in five jobs statewide. This study estimated that the health care sector directly and indirectly employs 317,000 Iowans, or 21 percent of Iowa's workforce. In addition to the \$5.8 billion in salaries paid by the health care sector, its employees produce \$3.3 billion in annual retail sales, generating \$167 million in state sales tax.

It is difficult to overstate the economic impact of the health sector and the health workforce in rural communities. The Iowa Department of Public Health, Bureau of Health Care Access, Iowa Medicare Rural Hospital Flexibility Program has partnered with Iowa State University to do an



economic assessment of the health sector in each of Iowa's ninety-nine counties. Each county-specific report is intended to: summarize the direct economic activities of the health sector; review concepts of community economics and multipliers related to health care; and estimate the secondary impacts of the health sector on the county's economy.

Synergistic Opportunities for Health Workforce and Economic Development

As Iowa seeks opportunities to further develop its economy, the state must look for opportunities to maximize existing resources, not the least of which is its human capital. Doeksen et al (1997) have documented that a viable health sector is the key to community economic development. Three reasons cited are: 1) access to health care results in a healthy, more productive labor force; 2) a quality health sector is important in attracting and retaining job-creating businesses and industries; and 3) corporations may give site location preference to a community which can provide health care to its employees at a lower cost. Iowa is a state frequently cited as having relatively low health care costs.

Rural communities have demonstrated a unique capacity to respond to health workforce shortages and strengthen the viability of the workforce by: developing sustainable career ladders in local health care institutions; directing displaced workers into health care careers; finding employment opportunities for spouses of health care workers; cross-training and sharing workers among institutions and providing training opportunities within communities to 'grow their own' workforces (Council of State Governments, 2003). Iowa must capitalize on the existing creativity and collaboration of the health sector in rural communities as part of a comprehensive plan for economic development.

Projected demographic changes in Iowa's population create an unprecedented need for a viable, diverse and sustainable health workforce. Iowa has the nation's third highest percentage of residents aged 65 and over, the second highest percentage of those over 75, and the highest percentage of people over 85 years of age (Iowa State University, 2001). Iowa has had a significant increase in immigration from Latin America and other parts of the world. For example, the U.S. Bureau of the Census counted an increase of 49,826 in Iowa's Hispanic or Latino residents from 1990 to 2000. In fact, two-thirds of Iowa counties increased their Hispanic population by 100 percent, with 29 counties seeing this population triple (Iowa State University, 2001). Iowa should seek opportunities to train and employ immigrants to meet the increasing health care needs of its aging population.

Iowa also has the opportunity to develop its economy by improving the wages of its health care workforce. On average, Iowa's registered nurses earn \$9,000 less than their national peers and \$11,000 less than registered nurses in the border state of Minnesota. The Iowa Policy Project predicts that an increase in nurses' wages would: 1) establish a baseline of fair and equitable compensation; 2) slow the "brain drain" of Iowa's college graduates leaving the state and 3) diminish the substantial gender wage gap among Iowa professionals (Fisher & Gordon, 2001). The result is a positive impact on Iowa's economy, which begins with, but extends beyond, the health sector.

Actions Recommended by the Center for Health Workforce Planning in 2003/2004

- Establish linkages to Iowa Department of Economic Development to promote the health sector and the health workforce as a key variable in economic development.
- Partner with Iowa Workforce Development to create opportunities for building the health workforce through regional Workforce Investment Boards.
- Update and enhance economic impact assessments of the health sector for each of Iowa's 99 counties through partnerships with Iowa Department of Public Health, Iowa Medicare Rural Hospital Flexibility Program, Iowa State University and Iowa Hospital Association.
- Promote collaboration among health services, businesses, schools and community planners to enhance economic development at the local level.
- Adopt strategies that support educational preparation of racial and ethnic minorities, including immigrants and refugees, for entry into the health sector of the labor force.
- Incorporate data about health workforce supply and demand into all statewide economic development initiatives.

The Center for Health Workforce Planning was created in the Iowa Department of Public Health, Bureau of Health Care Access, to assess and forecast health workforce supply and demand, address barriers to recruitment and retention, support strategies developed at the local level that prevent shortages, and engage in activities that assure a competent, diverse health workforce in Iowa. Funding for the center, fueled through the efforts of U.S. Senator Tom Harkin, is administered through the Bureau of Health Professions, Health Resources and Services Administration, U.S. Department of Health and Human Services.

http://www.idph.state.ia.us/hpcdp/workforce_planning.asp

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