

Slow Recovery Curbs New Health-Care Jobs

By [CONOR DOUGHERTY](#) | July 11, 2011 | Wall Street Journal

Health-care employment, which defied the economy by adding jobs through the 2007-09 recession, is looking less robust.

The sector is starting to come under pressure as the weak recovery coupled with state budget cuts and uncertainty about the financial effects of the health-care overhaul are pushing hospitals and health systems to cut costs.

Overall health-care employment grew by 13,500 jobs in June, the Labor Department said Friday, the slowest pace since January. Hospital jobs—which account for a third of health-care employment—fell by 4,000 in June, the first month-over-month drop since July 2010.

The health-care sector has added an average of 22,500 jobs a month this year. That's higher than the 20,000-per-month that were being added in 2009, but below the 29,000 pace in 2007, before the recession.

Health care represents about 11% of all U.S. jobs, up from roughly 8.5% in mid-2001.

The nation's unemployment rate ticked up to 9.2% in June, with only 18,000 non-farm payrolls added to the economy. WSJ's Sudeep Reddy and Phil Izzo join the News Hub panel to break down the numbers.

Martin Arrick, a managing director and analyst who covers the nonprofit hospital sector for Standard & Poor's, said employment growth in the sector is likely to slow. Despite strong margins and balance sheets, health-care systems are holding on to cash and cutting costs in anticipation of less-profitable days.

"Every provider is trying to cut their costs as much as they can," he said.

Some, such as KershawHealth, are resorting to layoffs. The Camden, S.C., community health system has cut 71 positions over the past few months, including a round of 25 layoffs in May. In addition to cutting jobs, the system closed a community center that gave tips on healthy eating and other preventive health measures, and will fill the vacant building with hospice and other services so it doesn't have to lease space elsewhere.

Kershaw's problems—which are reflected around the country—stem from a combination of budget cuts and a still-weak economy. The system has seen a rise in the number of patients who don't have health insurance and don't pay for care, while people who have insurance are increasingly putting off elective surgeries and other nonurgent care for which they would have to share in the cost.

The nonprofit system also isn't sure how it will be affected by Washington's desire to reduce spending on entitlement programs such as Medicare. Meantime, with state tax revenue still weak and money from the 2009 stimulus act now spent, states are cutting reimbursement rates for treating patients eligible for Medicaid, the state and federal program for the poor. Kershaw, which has net patient revenue of about \$110 million, will lose about \$2 million in Medicaid money this year, according to spokesman Joseph Bruce.

Cost-cutting in the health-care sector underscores the economic pressure of state and federal efforts to get their financial houses in order. While a less-indebted public sector will put the economy on better long-term footing, short-term cuts can have immediate effects at a time when the economy is struggling to create jobs. Indeed, the state and local government sector cut an additional 25,000 jobs in June, for a total of 165,000 this year.

Medicaid accounted for 15.4% of state budgets in 2010, according to the National Governors Association, and is an area where governors have almost universally proposed cuts. From 2009 through June 30, states' share of the program was propped up by federal money through the 2009 stimulus act, but that has now expired.

Piedmont Healthcare, a four-hospital, nonprofit system based in Atlanta, is among a number of health systems looking to cut costs in preparation for federal health-care regulations that will be rolled out over the next several years. In the past few months the system has shed 464 positions—or about 5% of its total work force—through 293 layoffs and the rest through attrition.

The layoffs are part of a broader push by the hospital to pare its costs to a point at which it can break even on patients who are covered by Medicare reimbursements. Behind that logic, Piedmont says, is an assumption that however the health-care overhaul shakes out, future reimbursement rates will be similar to today's Medicare reimbursement rates. (Systemwide, Piedmont says it currently loses about 5.5 cents for every Medicare dollar it takes in.)

"When 50% of your cost is labor, unfortunately that's a big bucket you have to look at," said Nina Day, a spokeswoman for the hospital.

In the long term, health care will almost certainly remain a growth area, as America's population ages and the federal health-care legislation gives more people insurance. That has some hospitals looking to cut costs—but also add clinical staff.

In Springfield, Ill., St. John's Hospital is looking to hire 80 nurses. To do that, though, the hospital has to cut elsewhere, including 45 administrative workers and other support staff who lost their jobs last month.

Write to Conor Dougherty at conor.dougherty@wsj.com

Article URL:

http://online.wsj.com/article/SB10001424052702303544604576433682562995042.html?mod=googlenews_wsj