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Fixing U.S. Workforce May Be a Job for ... Health Reform

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For all the talk about jobs and the White House's inability to spontaneously create them, you don't hear much about "The Job-Killing Health Care Law" anymore.

One major reason: Reform or not, health care remains the most reliable engine of U.S. job-creation these days. (That is, **outside of McDonald's**.)

For every eight jobs lost since the Great Recession began in December 2007, one new job has been created in the health care industry.

This isn't wholly new. The terrible economy has only brought health care's steady line on employment graphs into stark relief.

But going on a year-plus since the passage of the Affordable Care Act, will this trend continue as the reform law is implemented? And are so many health care jobs such a good thing?

GOP Criticism of Law Centers on Jobs

Republican leaders prioritized an ACA repeal after retaking the House in January. And though the effort to overturn the law has ebbed, it's still an important touchstone for conservatives.

House Speaker John Boehner (R-Ohio) **last week suggested** again that "the job-crushing health care law" has held back the U.S. economy. Rep. Michele Bachmann (R-Minn.) recently touted her presidential bona fides **by saying she** "led the fight against the job-killing ObamaCare legislation."

There's just one problem with the GOP's rhetoric: It's never been backed up by reality, experts say.

The party's most-cited evidence has been a **Congressional Budget Office report** that didn't actually say the law would kill jobs. Instead, the report forecast "that the law will slightly reduce labor," the ***Washington Post*'s Ezra Klein wrote earlier this year**. "It's not that employers will fire workers. It's that potential workers -- particularly older ones -- will retire somewhat earlier" to take advantage of expanded health coverage options, Klein added.

Other conservative lines of attack are less direct and more difficult to refute.

In its assessment of ACA as "**Bad Medicine**," the Cato Institute cautioned that the law's new taxes and administrative requirements will increase businesses' costs and slow their hiring and compensation. The CEO of the National Federation of Independent Business -- which is suing over the constitutionality of ACA -- warned that the "**law is death by a thousand cuts**" for small-business owners, given the law's additional paperwork and taxes.

But NFIB's **latest report** also has a surprising finding: There wasn't a clear correlation between businesses that cut jobs and added health insurance in the past year.

Industry is an Engine of Economy

Meanwhile, the health care industry continues to plug thousands of new jobs into labor markets each week, its sheer consistency awing experts.

Even during the Great Recession, "health care added jobs every single month," economist Jared Bernstein

told *California Healthline*.

Bernstein, who served as Vice President Biden's Chief Economist and is now senior fellow at the Center on Budget and Policy Priorities, pointed to divergent trend lines.

Since the recession began in December 2007, health care has added 984,000 jobs; at some point this month, that number will bump over a cool million. The dismal aggregate across every other sector during the same period: 8.7 million jobs lost.

Looking at jobs figures from across the economy, health care employment is "a straight line sloping steadily up amidst all that carnage," Bernstein **wrote earlier this year**.

Reform as Accelerator of Job Creation?

Most provisions of the ACA won't take effect until 2014. So what should we expect as new health exchanges and insurance mandates come online?

A January 2010 **Center for American Progress report** suggested health reform would generate as many as 400,000 jobs, largely by curbing employers' health costs -- as some employees received coverage through new insurance options and access better preventive care -- and leaving businesses with more room to hire.

In retrospect, that projection seems hugely optimistic. An **Urban Institute report** earlier this year noted that the law will have little effect on overall U.S. job growth, despite a modest boost to the health care sector's job market and wages, but there may be important trickle-down effects.

Micah Weinberg -- a senior policy adviser at the Bay Area Council, a San Francisco-based employer coalition -- has **modeled ACA's impact on Colorado**. Finding that the law would create about 19,000 jobs, Weinberg conceded that "if those don't sound like huge numbers, they're not," but noted that there are many corollary benefits for businesses. For example, a workforce that has better access to health coverage is more productive, he observed. The law may also free employees from "job lock" and give workers more freedom to leave and start their own businesses.

Are All These Jobs a Good Thing?

Perhaps the question that Republicans should have asked isn't whether ACA will kill jobs -- but whether the law strengthens a health care-industrial complex that cripples long-term U.S. growth.

Washington Post blogger **Sarah Kliff noted** that many drivers behind health care job growth also are "part of what makes it so difficult for the United States to get its health spending under control." The ongoing costs, for example, of health care billing and administration that don't plague our OECD counterparts. The nation's sicker population and rampant chronic disease and obesity.

In theory, ACA will help to bring these costs down by rewarding efficiency and improving preventive care, experts say. And in the meantime, health care jobs offer benefits to the flagging economy, they add.

Modern medicine's many advances aside, it's very hard to offshore health care positions, save for technology like high-tech scans. Health care also is a labor-intensive industry that distributes jobs across all regions.

Weinberg noted that more health care employment also means more disposable income and "that money is going to cycle through the economy," leading to broader job creation.

Rather than meddle with what's working, lawmakers may want to leave the industry alone. Efforts to artificially stimulate other sectors while depressing health care employment might be as successful as a Communist five-year plan.

"In a naturally evolving economy, you don't pick and choose your jobs," Bernstein stressed.

Here's a look at what else is making news in health reform.

Administration Actions

- Insurers in 17 states, the District of Columbia and the five U.S. territories did not enact processes to review denied medical claims and will have to use federal external reviews, **according to HHS regulations posted online** last week. The regulations spell out how each state will review denied claims and handle appeals. An **interim final rule** **CMS** released in June states that insurers must explain to enrollees why their claims were denied or why they lost insurance and how they can appeal the decision. Federal regulators will release their final decisions about the review procedures in each state by Oct. 1 (Adams, *CQ HealthBeat*, 8/5).
- Last week, **HHS** denied a medical-loss-ratio waiver to Guam, the first U.S. territory to be denied the exemption since passage of the federal health reform law. HHS officials explained that Guam's health care market is so small that it would not be penalized if it failed to meet the standards of the MLR rule. Guam's individual market currently has only two insurers, both of which have too few customers to be subject to the MLR rule, HHS officials said (Norman, *CQ HealthBeat*, 8/5).
- On Monday, **CMS announced that its five-year Physician Group Practice Demonstration** has successfully reduced costs while improving the quality of care (Norman, *CQ HealthBeat*, 8/8). The project was launched in April 2005 and formed the blueprint for the Medicare accountable care organization program in the federal health reform law (Abelson, "**Prescriptions**," *New York Times*, 8/8). CMS said that 10 leading health systems received financial bonuses for meeting most of the performance targets among 32 quality measures and spending at least 2% less on Medicare beneficiaries than nearby facilities (Zigmond, ***Modern Physician***, 8/8). Seven of the participating systems in the fifth year met quality requirements for all 32 quality measures, up from just two systems in the project's first year (***AHA News***, 8/8). The other three systems met 30 of the 32 performance requirements (*CQ HealthBeat*, 8/8).

On the Hill

- Last week, **Reps. Dave Camp (R-Mich.)** and **Fred Upton (R-Mich.)** **sent a letter** to **HHS Secretary Kathleen Sebelius** in support of their home state's request for a temporary waiver from the medical-loss ratio provision in the federal health reform law (Zigmond, ***Modern Healthcare***, 8/4). Insurers that do not comply with the ratio will have to issue rebates to consumers. So far, HHS has denied an MLR waiver for North Dakota and approved waivers for five states. Nine other states are waiting for a decision (Adams, *CQ HealthBeat*, 8/4).
- Republican lawmakers who returned to their congressional districts for their summer recess faced questions at various town-hall meetings last week from constituents about the federal health reform law. **Rep. Rob Woodall (R-Ga.)** said, "I cannot hold a town-hall meeting without [health reform] coming up," adding, "Voters are still very much concerned about its price, its mandates and its expansion of government control" (Viebeck, "**Healthwatch**," *The Hill*, 8/6).

In the States

- Last week, **Connecticut Gov. Dannel Malloy (D)** said the state had received federal approval to begin charging a flat $381 monthly premium for certain enrollees in the **Connecticut Pre-Existing Condition Insurance Plan**. Starting Sept. 1, the federally funded, state-managed insurance plan will be available to members for the newly approved monthly premium, which will cut premium costs by up to 57% for certain state residents. Enrollees younger than 45 will pay premiums ranging from $404 to $477, depending on their age (Sturdevant, "**InsuranceCapital**," *Hartford Courant*, 8/2).
- Hospitals in Massachusetts will reap a yearly windfall of $275 million after a loophole in the federal health reform law allowed the state to reclassify certain hospitals under the inpatient prospective payment system. For years, Medicare rules included a provision that adjusts hospital payments based on labor cost differences around the country without increasing overall Medicare spending. The rules also included a provision mandating that a state's urban hospital labor cost factor cannot be less than its rural hospital labor cost factor. However, a federal health reform law provision will lift the block and allow hospitals to reclassify under **CMS' recently released final IPPS rule**, which takes effect Oct. 1. As a result, hospitals in California and six other states will receive additional Medicare funding, while hospitals in 41 states will lose funding (***AP/Washington Post***, 8/4).
- The **Minnesota Hospital Association** recently said 51 hospitals in the state could lose $8.1 million annually because of how the federal health reform law changes Medicare payment formulas (Stych,

Minneapolis/St. Paul Business Journal, 8/5).

Effects of the Law

- About 2% of businesses said they are "very likely" and 6% said they are "likely" to drop health benefits for their employees in 2014 because of the federal health reform law, according to **a recent Mercer survey** of 894 employers. The survey found that businesses have seen an average increase of about 2% in enrollment as a result of a provision in the overhaul that extended eligibility to dependents younger than age 26 (Pecquet, "**Healthwatch**," *The Hill*, 8/2). Meanwhile, **a Government Accountability Office survey** found that the overhaul has provided about $50 million to states to help them monitor rates charged by insurers (Daly, ***Modern Healthcare***, 8/2). About 66% of states that have received such funds have increased their review infrastructure by hiring more staff or investing in information technology, the survey found (Clark, ***HealthLeaders Media***, 8/4).