

## The Business of Health Care: Diagnosing the Health Care Industry

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What happens when the country's largest source of new jobs collides with the biggest overhaul of the country's health care system?

That's the experiment playing out nationwide under the rules of the new Affordable Care Act.

Over the next 20 years, the demands on our nation's health care system will dramatically increase due to the expansion of health care

coverage under federal health care reform requirements. State-by-state decisions on how to implement the new law, coupled with an aging population, pose unique workforce challenges for the industry as it seeks to implement all the new laws and regulations.

At the same time, the Bureau of Labor Statistics predicts the health care industry will be the single largest source of new jobs for the rest of this decade.

For states like Washington, where the industry plays a major role in the state's economy, this is as much a debate over health care as it is economics. How will these changes impact business competitiveness? Business expansion? Workforce training needs?

This past spring, the Association of Washington Business, the state's chamber of commerce, partnered with its nonprofit workforce institute to host statewide listening sessions. Health care industry representatives were invited to address specific economic, regulatory and workforce challenges.

Our findings — though not surprising — were still alarming in terms of the implications for our economy and demands on our K-12, higher education and workforce training systems.

### KEY FINDINGS

Our listening sessions included health care industry representatives from a cross-section of industry fields, services and specialties. Yet participants from Seattle to Spokane consistently identified the following common concerns headed into the implementation of the new federal law:

- **Overregulation:** The health care industry in the state of Washington is overregulated to the point that health care delivery organizations find it difficult to provide some services.
- **Out-of-Control Costs:** Overutilization of certain services, inadequate reimbursements from federal programs, an increase in uncompensated care, fraudulent billing practices, practicing defensive medicine and a lack of

knowledge on the part of consumers are significantly contributing to the increases in health care costs.

- **Prevention:** A focus on wellness and disease prevention is necessary to curb health care costs.
- **Workforce Needs:** While current workforce demand is, with a few exceptions, being met, the state must assess future needs and support the training system to prepare to meet those needs.

As with other current economic concerns, health care industry participants seemed most worried about the unknowns of the new law and what it would mean to them going forward as employers.

## REGULATORY

Finding ways to streamline the regulatory process continue to vex even the most veteran health care industry professionals. Like other states, Washington's health care industry must comply with a rapidly expanding myriad of highly complex state and federal regulations. With the passage of the federal health care reform law requiring new layers of oversight and voluminous regulations, the health care industry faces an unprecedented and daunting gauntlet. Safety and attention to the needs of the patient is a paramount duty in the health care industry. And there must be a point at which regulators understand the nature of the health care industry and realize that not all aspects of patient care needs regulations attached to them.

Washington state health care

industry representatives identified the following concerns about our state's regulatory system:

- A lack of work/task diversity within the Washington State Department of Health, creating confusion and difficulty when contacting the department for assistance.
- Washington's regulatory environment requires staff dedicated to regulatory compliance, preventing some small- and medium-sized practices from expanding their services to additional population bases.
- The Certificate of Need process, regulations aimed at restraining health care facility costs, and allowing coordinated planning of new services and construction in Washington state should be streamlined to be more efficient, fair, and understandable for health care organizations.
- Regulatory compliance is important to quality of care, but excessive regulatory environments detract from it.

As one participating industry CEO observed, health care systems share the responsibility of being both essential service providers and large, complex businesses. "Undue regulations create additional challenges and remove resources from patient care." Striking that balance remains one of the greatest challenges of the new federal law.

## WORKFORCE

Finding highly skilled workers has never been more critical than it is now for the health care industry.

The current economy has prevented more veteran health care workers from retiring, providing a stable workforce — with a few exceptions. Primary care physicians, mental health professionals, and rural care providers are still in short supply. And the increasing health care needs of baby boomers, combined with the impacts of the federal health care reform law, forecast an impending health care workforce shortage that will impact access to and quality of health care services in Washington state and elsewhere.

Washington state health care industry representatives identified the following as workforce issues impacting the health care industry:

- Overall, current workforce needs are being met with the exception of primary care physicians, rural health care providers, and mental health professionals.
- Increased state funding for undergraduate and graduate medical education is necessary to support the demand for physicians.
- The federal reform law will force hospital systems and provider offices to increase their regulatory workforce by 20-30 percent.
- There is a trend toward requiring four year nursing degrees when hiring nursing staff. In some regions a doctorate of nursing practice is preferred.
- The primary, secondary, and post-secondary education systems must work together to articulate programs of study in

order to prepare the health care workforce pipeline and produce the next generation of health care workforce.

Participants also agreed the following must be addressed now to avoid a catastrophic health care delivery situation in the future:

- Capacity for undergraduate and graduate medical education must be increased to provide medical school space and residency opportunities for medical students.
- Reimbursement strategies must be developed to increase the number of primary care physicians as well as more physicians willing to serve in rural

areas throughout the state.

- The state's training systems (two-year and four-year institutions) must work together to develop new models of education that will adapt to the requirements of the federal health care reform law, including the medical home model.
- More STEM (science, technology, education and mathematics) related programs are needed to encourage and excite the next generation to enter the health care workforce pipeline.

A vibrant and growing health care industry is vital to not just Washington state, but all states in the nation. With health care

representing nearly 20 percent of the nation's GDP, we can ill afford to leave these concerns unchecked, either at the state or national level.

It is our hope, that by working with industry experts, we can work with policy makers and key elected officials to make the kind of changes that will foster a sustainable system of health care for everyone.

*Amy Johnson, MHPA, JD, is a strategic consultant to the AWB Institute, a non-profit, 501(c)3 of the Association of Washington Business focused workforce development and education; workplace safety; environmental compliance; and competitiveness. To learn more, visit [www.awbinstitute.org](http://www.awbinstitute.org).*

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