California Could Lose More than 78,000 Jobs If Medicare Payment Cuts Are Implemented

SACRAMENTO (September 12, 2012) – A new report issued today finds that California could lose more than 78,000 health care and other related jobs by 2021 as a result of the 2 percent sequester of Medicare spending mandated by the federal Budget Control Act of 2011. Nationally, more than 760,000 jobs could be lost if these payment cuts are implemented, according to the report released today by the American Hospital Association (AHA), the American Medical Association (AMA) and the American Nurses Association (ANA) at a press conference in Washington, DC. The AHA is a strategic partner of the California Hospital Association (CHA).

According to the report, produced by Tripp Umbach, a firm specializing in economic impact studies, California’s already-struggling economy will be the hardest hit in the nation if the sequestration is allowed to take effect on January 1, 2013. Within the next year, California will lose more than 50,000 jobs due to the Medicare sequestration, the report states. By 2021, that number will climb to more than 78,000 lost jobs throughout the state. Nearly 10 percent of the job losses nationally will occur in California.

“California hospitals already lose billions of dollars each year treating Medicare beneficiaries,” said CHA President/CEO C. Duane Dauner. “Another 2 percent payment reduction may not seem like a big number, but these cuts would be in addition to more than $17 billion in slashed Medicare payments California hospitals are already scheduled to absorb by 2020 as a result of the implementation of the Affordable Care Act (ACA)."
More than one-third of California’s hospitals currently operate in the red and nearly all hospitals spend more to treat Medicare patients than they are paid by the program. Last year, California hospitals were underpaid by Medicare by more than $4.3 billion. Once the ACA cuts are fully implemented, California hospitals will be caring for Medicare patients at an annual loss estimated at more than $8 billion.

“California already has one of the highest unemployment rates in the nation at 10.7 percent, almost 30 percent higher than the national average,” Dauner added. “The additional payment cuts that hospitals and other health care providers will face from the Medicare program if the sequestration is allowed to proceed will result in the loss of thousands of well-paying jobs and will negatively affect the state’s ability to recover from the recession. California’s already struggling economy cannot afford job losses of this magnitude.”

The Tripp Umbach report measures the anticipated effect of these cuts in Medicare payments on health care providers and other industries. The report reflects how reductions in Medicare payments for health care services will lead to direct job losses in the health care sector, reduced purchases by health care entities of goods and services from other businesses which in turn will lay-off workers, and reduced household purchases by workers who lose their jobs. As the impact of these cuts ripples through the economy, jobs will be lost across many sectors beyond health care.

The health care sector has long been an economic mainstay, providing stability and growth even during times of recession. The Bureau of Labor Statistics data shows that health care created 169,800 jobs in the first half of 2012 and accounted for one out of every 5 new jobs created this year. California hospitals employ more than 500,000 people across the state.

The Tripp Umbach report and other resources are available at www.aha.org/jobs

 Cha, based in Sacramento, is the statewide leader representing the interests of more than 450 hospitals and health systems in California.