



The Hospital + Healthsystem
Association of Pennsylvania

Leading for Better Health

The Economic Impact of Pennsylvania's Hospitals
Fiscal Year 2020
Executive Summary
September 2021

Overview

Pennsylvania hospitals are among the top drivers of their communities' and the state's economies. They directly benefit their communities' economies in many ways—maintaining and constructing new buildings; providing jobs; purchasing medical supplies, pharmaceuticals, and medical equipment; and more. Hospitals also indirectly impact the economy through business interactions with other industries, such as employment and cleaning services. Finally, hospitals induce economic activity outside of the hospital—in such industries as real estate, financial investment firms, and restaurants. They also attract federal research dollars to the state, enabling Pennsylvania to develop innovations that improve care for all Americans.

Based on data from fiscal year (FY) 2020, Pennsylvania hospitals:

- Contribute \$155 billion to state and local economies, an 8 percent increase compared to the previous year
- Support more than 615,000 jobs for Pennsylvanians
- Generate more than \$38 billion in wages, salaries, and benefits

Pennsylvania hospitals have faced intensified financial challenges as a result of the COVID-19 pandemic. The financial toll of the pandemic for Pennsylvania's hospitals has been estimated to exceed \$6.5 billion due to lost revenue associated with decreased utilization and increased costs.

Leading Employers and Economic Drivers

Hospitals are and will continue to be leading contributors to the economy. When considering the direct plus ripple impact of the hospital community on Pennsylvania's economy, hospitals account for 20 percent of the commonwealth's 2020 gross domestic product.¹

HAP's analysis confirms that the industry's spending has been increasing steadily—by 63 percent during the last ten years. Pennsylvania hospitals and health systems contribute \$155 billion to the commonwealth's economy through:

- \$69.8 billion in direct impact—the dollars hospitals pay out for employee salaries, wages, and benefits and for the many goods and services needed to provide health care services and support hospital and health system operations
- \$85.2 billion in ripple impact—the additional economic activity that results from the circulation of hospital dollars in local communities and across the state



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In addition, Pennsylvania hospitals and universities with hospital-affiliated medical schools secured nearly \$2 billion in federal health research awards, more than 80 percent of the funding awarded to all Pennsylvania organizations during FY 2020.

Many hospitals also are among the top employers in their communities with 60 of Pennsylvania's 67 counties having at least one hospital among their top ten largest employers. Pennsylvania hospitals directly employed more than 270,000 workers during 2020, paying close to \$20 billion in wages, salaries, and benefits. Employment generated by the industry's indirect and induced economic effects resulted in the employment of more than 344,000 Pennsylvanians and more than \$18 billion in wages, salaries, and benefits. The total number of hospital-supported jobs is more than 615,000—or one of every nine jobs in the state.²

While the total number of employees at all Pennsylvania industries fell 8 percent between 2020 and 2021, the number of employees at hospitals dropped by less than 1 percent, demonstrating the resiliency of the hospital industry and its workers during the pandemic.³

Intensified Challenges

Even before the onset of COVID-19, Pennsylvania hospitals and health systems faced financial stress. The statewide percentage of uncompensated care (bad debt plus charity care) to net patient revenue for Pennsylvania general acute hospitals increased during both FY 2019 and FY 2020 after five consecutive years of falling uncompensated care rates.⁴ During FY 2020, Pennsylvania general acute hospitals reported \$809 million in foregone revenue due to uncompensated care.⁵

These challenges have intensified during the pandemic as many Pennsylvanians lost their jobs and employer-sponsored health care and non-COVID-19-related hospital services decreased. During FY 2020, operating margins for general acute care hospitals decreased for the fourth time in five years, with the most significant drop during this period occurring during FY 2020.⁶

Hospitals Need Continued Support

Though leaders and employees of the state's hospitals and health systems have performed heroically in the face of the pandemic, continued federal and state support will be imperative to ensure they can perform as economic and health care flagships for their communities.

Hospitals need sustainable payments for the care they provide, and to be able to innovate and utilize the emerging mechanisms for delivering care in the post-COVID-19 world. These payments include:

- Payments for telehealth
- Sustained state budget support for OB/NICU, burn and trauma centers, and critical access hospitals
- Sufficient payments from Medicare, Medicaid, and private insurance



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Hospitals also will need lawmaker support to continue reducing administrative red tape, so they can focus on caring for patients. These measures include streamlining processes for things like credentialing and prior authorization, as well as maintenance of the waivers put in place during the pandemic to ease the regulatory burden on hospitals.

¹ HAP calculated the hospital community's contribution to the gross domestic product (GDP) by dividing the 2020 Pennsylvania GDP (\$780 billion) by the community's total—direct plus ripple—economic impact (\$155 billion)

² Based upon 2020 fourth quarter State and Hospital Employment and Wages data obtained from the Pennsylvania Department of Labor and Industry

³ U.S. Bureau of Labor and Statistics, Quarterly Census of Employment and Wages [Dataviewer](#). See Multi-Year Data option #19 for one area, one industry, annually. Retrieved from:

https://data.bls.gov/cew/apps/data_views/data_views.htm#tab=Tables. Last accessed 8/13/2021

⁴ Pennsylvania Health Care Cost Containment Council (PHC4). [Financial Analysis 2019, PA General Acute Care Hospitals – News Release](#). April 15, 2020. Retrieved from:

<http://www.phc4.org/reports/fin/19/nr041520.htm>. Last accessed: 07/28/2021

⁵ See PHC4's [Financial Analysis 2020, Volume 1](#); June 2021; p. 1 and [Financial Analysis, Fiscal Year 2020](#) for uncompensated care data for general acute care hospitals. FY 2020 data for non-general acute care hospitals was not available at time of publication. Retrieved from: <http://www.phc4.org/reports/fin/20/>. Last accessed: 07/28/2021

⁶ PHC4. [Financial Analysis 2020, PA General Acute Care Hospitals – News Release](#). June 3, 2021.

Retrieved from: <https://www.phc4.org/reports/fin/20/nr060321.htm>. Last accessed: 07/28/2021