

Do All Health Care Jobs Provide a Pathway to the American Dream?

The health care industry is growing. This is neither a recent analysis nor a new trend. Oregon's Employment Department reports that from 1990 to 2013, health care and social assistance employment in the state had a compound growth that was twice as high as the state's total nonfarm employment.¹ The sheer size of the industry combined with its steady growth lead it to be a major employer and economic force in many Oregon communities.

This concentration presents both opportunity and risk. As the wealth gap in America (and Oregon) grows and jobs continue to be automated or outsourced, it becomes ever more critical that remaining jobs provide pathways to achieve the American dream. Just as hospitals are transforming their role within the health care system, they need to reform the role they play within our economy.

Oregon hospitals are recipients of vast amounts of public dollars—both directly from the purchase of their services and indirectly through tax breaks and the subsidizing of employee wages and benefits through public assistance. Combining public dollars with other payments, Oregon hospitals net more than half-billion dollars in profits annually.² Despite this, nearly one in six Oregon hospital workers earns less than \$16 per hour.³

Considering the steady growth rate of the industry, the role hospitals play within our economy and the public funds already flowing to hospitals, we believe it time that hospitals be a source of high-quality care and high-quality jobs for all Oregonians.

Hospital employees frequently working-poor

While hospitals do have some highly compensated positions, the industry has a sizable underbelly of poverty and low wages. Nearly one in every six hospital workers earns less than \$16 an hour. While nurses, the largest single occupational classification in hospitals, earn living wages, the second largest occupation, nurse assistants, earn an average wage of \$14.52. In fact many of the most frequent occupations in hospitals earn around \$35,000 annually (assuming full-time work). This is less than 150% of the Federal Poverty Line for a family of four and less than Oregon's average per-capita income of \$40,233.

While wages for highly compensated positions within hospitals and other health care areas have been increasing, wages for health care support positions have been nearly flat. Between 2005 and 2013, the hourly

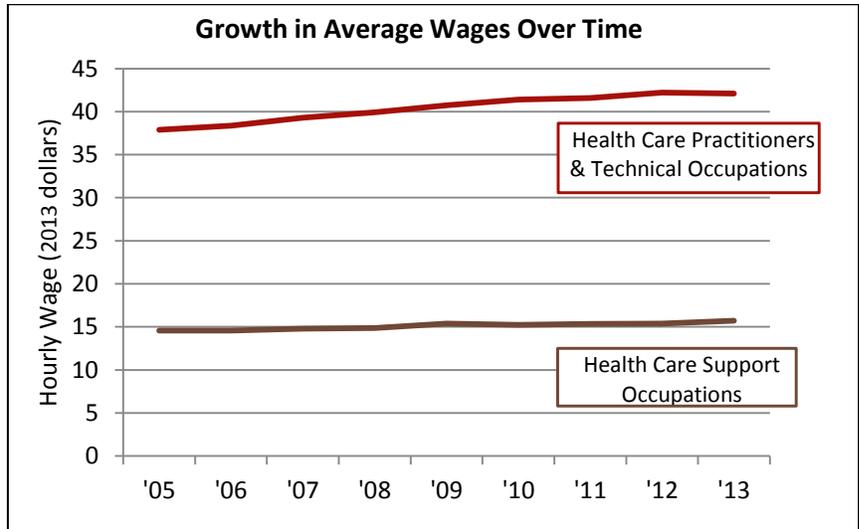
¹ State of Oregon. Oregon Employment Department. *Inpatient to Outpatient: Oregon's Changing Health Care Industry*, May 2014.

² State of Oregon. Oregon Health Authority. 2013 Hospital Financial Summary, defined by Net Income.

³ Estimates are our own using wage distribution and employment data by occupation for the hospital industry (NAICS 6221) as provided by the Oregon Employment Department.

wages of health care practitioners and technical occupations increased by over \$4.00, on average. Comparatively, health care support occupations increased by barely \$1.00 over the same time period, on average.⁴

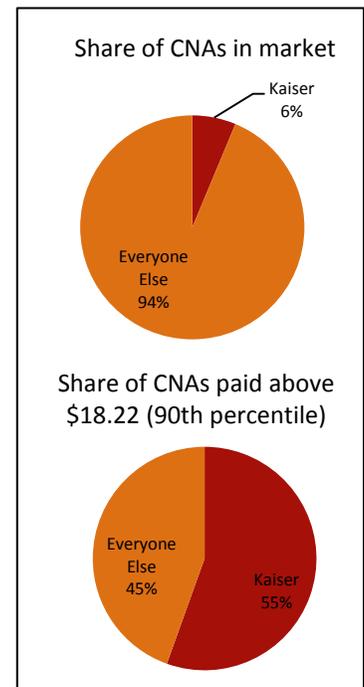
Average Wage of Largest Hospital Occupations ⁵	
Occupation Title	Average Wage
Registered Nurses	\$ 38.78
Nursing Aides, Orderlies, and Attendants*	\$ 14.52
Medical Secretaries	\$ 16.91
Health Care Support Workers, All Other	\$ 17.28
Interviewers, Except Eligibility and Loan	\$ 15.82
Maids and Housekeeping Cleaners	\$ 12.88



Are high wages at Kaiser Permanente distorting the picture?

Digging deeper into wage information, we believe that Kaiser’s rate of high pay actually disguises how poorly some workers are paid in the industry. Again looking at nurse assistants, the second most common occupation in hospitals, we can see how the top earners in the field disproportionately work at Kaiser hospitals.

Overall, there are about 3,000 nurse assistants (Certified Nursing Assistants, or CNAs) working in Oregon hospitals. Of the nearly 200 CNAs working in Kaiser Permanente Hospitals, 166 of them earn a wage in the 90th percentile or above according to state wage data. This means that over half, 55%, of the top paid CNAs in the state work for Kaiser. Even the absolute minimum wage for an entry-level CNA at Kaiser (\$16.16) is well above the statewide average.⁶



⁴ Oregon Occupational Employment Survey data from Bureau of Labor Statistics, adjusted to 2013 dollars. Analysis by SEIU Local 49.

⁵ Data from Oregon Employment Department for hospital industry (NAICS 6221). Employment by occupation and wage distribution by occupation and industry.

*Average wage listed is for Nursing Assistants, who represent over 90% of the occupation class and on average have higher wages than orderlies.

⁶ Kaiser wage and employment numbers are from SEIU Local 49’s membership database and national union agreement with Kaiser Permanente.

What does a low hospital wage mean for daily life? Tough choices

Low hospital wages can still leave workers facing significant challenges in making ends meet. Hospital employees have long told us stories of making difficult decisions in their daily lives. While these stories are powerful on their own, cost-of-living estimates confirm the financial challenges many hospital employees face.

“The pathway to the American Dream...revolves around a job for which the individual is paid a living wage—enough to meet their basic needs—and an opportunity for upward income mobility.”

- John Kitzhaber

The Economic Policy Institute’s Family Budget Calculator documents the basic costs of housing, food, transportation, taxes, and other items for various regions across the country. According to the estimates for Oregon, a family of two with one parent and one child would need the parent to work full-time and earn over \$20 an hour in order to be able to cover basic costs of living. Nearly 30% of Oregon hospital workers earn less than \$20 an hour and some do not receive adequate hours.⁷

Cost of Living for a family with 1 parent and 1 child ⁸					
Geographic Area	Monthly Salary	Annual Salary	Necessary full-time wage	Starting CNA wage at regional hospital	
Portland-Vancouver-Beaverton	4,611	55,330	26.60	Adventist Medical Center	13.39
Eugene-Springfield	4,428	53,135	25.55	Sacred Heart RiverBend	13.05
Medford	4,401	52,817	25.39	Asante Rogue Regional	12.27
Bend	4,364	52,364	25.18	St Charles Bend	12.73
Corvallis	4,351	52,216	25.10	Good Samaritan Regional	12.65
Salem	4,301	51,614	24.81	Salem Hospital	13.76
Rural Oregon	3,672	44,060	21.18	Sky Lakes (Klamath Falls)	11.87
				Blue Mountain (John Day)	9.50

Hospital Health Plans: The company store still exists in health care

The challenges of a low hospital wage can be exacerbated by high costs for workers to access and utilize healthcare, an especially important service for employees who spend their working hours interacting with ill and immune-compromised populations.

Unaffordable health plans are a problem for patients: Hospital workers that continue to work while ill or in pain rather than seeking medical help are more likely to make medication errors, experience a patient fall, or report lower levels of quality of care in their units.

Unaffordable health plans are a problem for employees: Hospital workers with chronic diseases share stories of spacing doctor and lab visits longer than recommended in order to have them fall across different pay periods. Other members simply turn to the government for assistance and sign up for Oregon Health Plan, despite working full-time.

⁷ Estimates are our own using wage data by occupation for the hospital industry (NAICS 6221) as provided by the Oregon Employment Department. Likely to be a low estimate as it matches only 93% of workers to wages.

⁸ As estimated by the Economic Policy Institute’s Family Budget Calculator, <http://www.epi.org/resources/budget/>

For example, if a PeaceHealth employee were to have a heart attack and receive hospital care, their bill from the co-insurance (at 20% for hospital facility and physician fees) would likely run into the \$3,000 limit on out-of-pocket expenses. Despite the worker’s gratitude for the care and out-of-pocket maximum, the \$3,000 bill could be a significant burden to a low-wage employee. The starting wage for a nurse assistant at PeaceHealth Sacred Heart Hospital in Springfield, Oregon, is \$13.05. At that wage, a \$3,000 bill would be equivalent to nearly 230 hours of labor or almost a month and a half’s pay (without consideration for taxes, actual take-home pay, or lost wages the employee had already accrued from illness and recovery time).

Sampling of Hospital Health Plan Costs for Employee and One Child			
	Legacy (2014)	PeaceHealth (2014)	Providence (2013)
Monthly Premium (1 parent, 1 child)	\$122.31	\$173.48	\$45.00
Deductible	\$0	\$1,000	\$2,300
Out of Pocket Max	\$6,000	\$6,000 (including deductible)	\$4,300 (not including deductible)
Office Visit (non-preventative)	20% co-insurance	20% co-insurance (deductible waived)	\$20 co-payment if with Primary Care Provider
Lab tests	20% co-insurance	20% co-insurance	20% co-insurance
Hospital facility fees	20% co-insurance	20% co-insurance if a PeaceHealth hospital, ⁹ otherwise 30% if in-network.	10% co-insurance if a Providence hospital, otherwise 25%
Hospital physician fees	20% co-insurance		20% co-insurance

**What happens when the jobs and health plans don’t measure up?
Taxpayers pick up the slack**

For hospitals who fail to adequately compensate their employees, workers find ways to make ends meet. Such decisions can impact not only the health of individual workers and their families, but have cumulative impacts for communities and taxpayers.

A snapshot taken in 2013 shows approximately 1,800 Oregon hospital employees receiving supplemental nutritional assistance (SNAP), commonly referred to as food stamps.¹¹ Extrapolating based on average statistics and household characteristics of SNAP users, we estimate 1,311 children live in the households of hospital employees receiving nutritional assistance.

Looking beyond food stamps, low-wage employees are also frequently eligible for medical insurance through the Division of Medical Assistance Programs (DMAP, which includes the Oregon Health Plan/Medicaid) and

Hospital Use of Public Assistance Programs for Employees ¹⁰	
SNAP	\$396,604
DMAP	\$1,118,137
ERDC	\$34,169
Monthly cost to taxpayers	\$1,548,910
Annual cost to taxpayers	\$18,586,920

⁹ 20% co-insurance applies to hospitals in a “preferred” network. Only PeaceHealth hospitals are included in such network.

¹⁰ Extrapolation for number of people accessing benefits other than SNAP based on Department of Human Services, Office of Forecasting, Research and Analysis “High Poverty Hotspots 2014.”

¹¹ Snapshot of SNAP recipients from Oregon Health Authority and Department of Human Services from January 2013 linked to employment data from Q4 2012.

Employment Related Day Care (ERDC). We estimate that low wages at hospitals cost taxpayers \$18.6 million each year in SNAP, DMAP, and ERDC credits.¹² These three programs represent the largest public assistance programs in our state, although there are many more available to the working poor and undoubtedly accessed by some hospital workers.

Taxpayers fund a substantial portion of hospital revenue

Oregon hospitals join the ranks of hotels, gas stations, and convenience stores in the top twenty industries with the largest numbers of employees on public assistance. However, unlike some of their colleagues on the list of businesses subsidized through government assistance programs, hospitals’ non-profit status allows them to benefit in additional ways.

Government is the biggest purchaser of hospital services: Hospitals receive the bulk of their revenue from the government. As a direct purchaser of healthcare for its employees and as a subsidizer of healthcare for many Oregonians, the state is the largest client of Oregon hospitals. Adding in federal Medicare patients further increases hospitals’ reliance on government funds. All told, over 42% of patient revenue streaming into Oregon hospitals from in 2013 was from taxpayers via the government.

Taxpayer Dollars Funneled Into Oregon Hospitals	
Direct Payments to Hospitals	
Hospital share of state purchasing healthcare for employees (PEBB, OEBB, etc.)	\$220.5M ¹³
Medicaid Funds to hospitals ¹⁴	\$1,159M
Medicare Funds to hospitals ¹⁵	\$3,023M
Savings or Indirect Payments	
Public Assistance to hospital employees	\$18.6M
Exempted Taxes: ¹⁶	
Oregon Corporate	\$45.1M
Federal Corporate	\$208.5M
Property tax	unknown
Income tax from donations and exempt Bond Sales	unknown
Annual Total	>\$4.6B

Hospitals save money by not paying taxes: In addition to taxpayers footing the bill directly for hospital services and subsidizing hospital wages and benefits through public assistance, the vast majority of Oregon hospitals are exempt from paying taxes.

Non-profit hospitals do not pay corporate or property tax. This is especially relevant in Oregon where all but two hospitals are non-profit. We estimate this costs taxpayers over \$250 million each year in forgone state and federal taxes. Their tax-free status also allows them to access tax-exempt bond financing at incredibly low rates and solicit donations for their foundations, all of which comes at a cost to taxpayers across Oregon and the country.

¹² Extrapolation for number of people accessing benefits other than SNAP based on Department of Human Services, Office of Forecasting, Research and Analysis “High Poverty Hotspots 2014.”

¹³ Estimated using state employee health plan spending and an average distribution of healthcare spending.

¹⁴ Estimated using DATABANK data from the Oregon Health Authority.

¹⁵ Ibid.

¹⁶ Estimated using hospital net income from 2013 as reported by the Oregon Health Authority and applying Oregon and IRS corporate tax rates for 2013.

Hospitals save, and make, money by pushing employees onto public assistance: Having hospital employees use the taxpayer-funded Oregon Health Plan rather than an employer-sponsored and-funded plan not only saves the hospital from paying a share of the premium costs, but also earns them money. Just like Walmart benefiting from its employees using food stamps to buy food at their supermarkets, hospitals benefit when their employees seek hospital services at their facilities while on a state-sponsored plan.

Can hospitals afford to do better?

In 2013 Oregon hospitals earned over \$555 million in profits. We estimate that if hospitals dedicated just 8% of their profits, they could raise all workers to earn at least \$16/hour, removing many workers from the rolls of public assistance.¹⁷ Oregon's hospitals can do better.

Improving hospitals will improve the economic health of our state

Hospitals' impact on our communities reaches far beyond providing critical medical care – our local economy is deeply affected by hospital jobs. Health care is one of Oregon's largest employment sectors and in nearly 80 percent of Oregon's counties hospitals are among the largest employers. The economic importance of hospitals is especially apparent in counties like Curry, Klamath, Linn, and Wasco, where hospitals are the single largest employers, providing vital employment opportunities and significant economic influence in these rural areas. Hospitals are also major employers in larger counties like Lane and Multnomah. Even in the home of the state capitol, Marion County, hospitals provide a large number of jobs, second only to state government.

As timber and manufacturing industries struggle and decline in our state, we must generate new sectors for dependable jobs that allow people to live decent lives. Many hospitals were initially built with public funds and community donations. To this day, most renovations and hospital construction projects are still funded in large part by community donations and tax-exempt bond financing through the state or another public entity.

Hospitals aren't going anywhere. While many are changing and working to answer the call of increased efficiency and promoting community health, we need to also make sure that they are changing to be a positive influence on our economy. Hospitals should live up to this expectation for all of their employees and be centers of great care and employment in our communities without being a burden to the state.

¹⁷ Assumes all workers are full-time.