

An Alaska Growth Industry—Health Care

by Neal Fried and Brigitta Windisch-Cole

Over 20,000 people work in Alaska's health care industry, making it one of the state's biggest employers. Employment in the health care industry is greater than in the oil industry, all of the state's eating establishments, the timber industry, or the state's entire finance sector. In fact, it employs about the same number of people as civilians in the federal government. According to the University of Alaska Anchorage, 50 percent more money is spent on health care than on Alaska's public schools, and nearly as much is spent on health care as operating the military in the state. Expenditures for this industry could reach \$2.4 billion in 1995.

The industry is getting bigger fast

Not only is the size of health care impressive, but its rate of growth is even more striking. (See Figure 1.) Since 1980, the number of jobs in Alaska's private health care sector has more than doubled, from about 5,800 employees to over 12,800. Health care employment has grown nearly twice as fast as overall wage and salary employment. (See Table 2.) From 1980 to 1994, employment in the private health care industry grew by 5.4% per year compared to 2.8% for the overall economy. Employment in health care also grew considerably faster than the state's population. And during Alaska's worst recession (1986-1988), where total employment fell by over 20,000, employment in health care stalled for a year and then kept on growing.

Why health care has grown so fast

Health care employment growth has outstripped total employment and population growth for a variety of reasons. This trend is not unique to Alaska—the same is true around the nation.

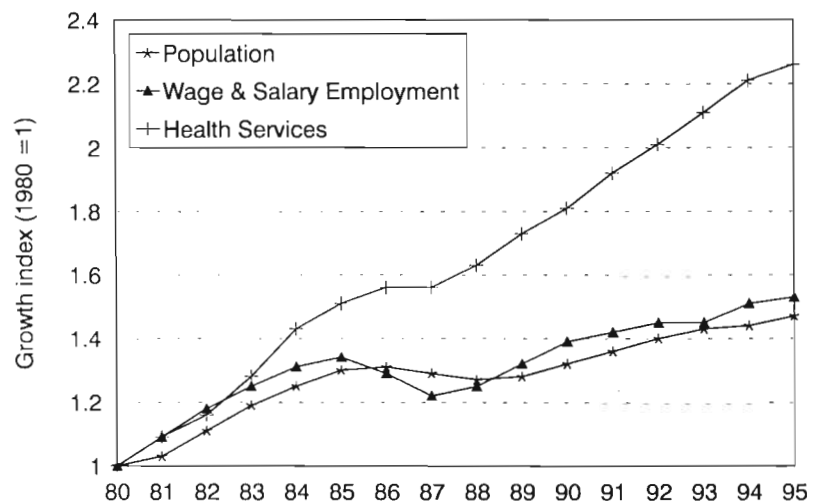
One fundamental reason that this industry has enjoyed such spectacular growth is that it does not face the typical supply/demand conditions most other industries do. Health care is typically viewed as an indispensable service. Usually, people cannot choose when they need health care services. This is one reason that it remains largely a recession-proof industry. Demographic changes play a role in its growth as well—particularly as our population continues to age. Technological changes, too, are boosting the demand for health care services. Many medical procedures of today simply did not exist in the past.

Additionally, the method of payment for these services is very different from the method of payment for most consumer goods. Although the delivery of most health care is a mixture of private and public providers, payment for these services is usually made by third-party payers instead of by the patient. Since the

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Figure • 1

Private Sector Health Care Job Growth Compared to Total Job and Population Growth



Source: Alaska Department of Labor, Research & Analysis Section.

Measuring health care is a tough job

Although large amounts of money are spent on health care and it employs thousands of Alaskans, good statistics are lacking to measure its size, complexion, and growth. One of the few sources of good expenditure data is a University of Alaska Anchorage (UAA) study entitled *The Cost of Health Care in Alaska*, produced in 1992 by UAA's Institute of Social and Economic Research.

On the employment side, good statistics for private sector health care have been produced by the Alaska Department of Labor. Most of the private nonprofit employment numbers are included in these figures. There are a few exceptions because some nonprofit health care providers are part of larger social service agencies and are, therefore, counted under social services employment. The health care component of these particular nonprofits is broken out and included in Table 1; however, in the references to private health service employment trends, they are excluded.

In Alaska, the public sector is a big health care provider at all three levels of government—local, state and federal. (See Table 1.) Approximately 62 percent of all health expenditures in the state come from the public sector. Employment data for government health care providers are sparse, since these figures typically are folded in with overall public sector employment. At the federal level alone are the Alaska Area Native Health Service, the military, and the Veterans Administration. Because of these data shortcomings, the private sector data will be heavily relied upon for trends analysis purposes.

Table 1
A Nearly Complete Picture of Alaska's
Health Care Community 1994-1995

	Employment
Private	12,837
Self-Employed Health Care Professionals	1,620
Nonprofit Organizations	616
Government	
Federal	
Nonmilitary	1,159
Military	1,420
State	1,416
Local	1,157
Total	20,225

Source: Compiled by Alaska Department of Labor, Research & Analysis Section, using administrative data and estimates from industry experts.

"customer" rarely pays directly for these services, cost is often not a key consideration when purchasing these services.

Hospitals are the biggest health care employer

Not surprisingly, hospitals are the biggest component of health care services. In fact, they employ 42.2% of all private sector health workers, accounting for nearly as many jobs as the next four largest pieces of the health sector pie combined. (See Figure 2.) In addition, according to the Bureau of the Census, hospitals received nearly half of the 1992 health care service revenues. (See Figure 3.) Alaska's ratio of hospital employment to total health services is almost identical to the nation's.

Since 1980, employment in hospitals has nearly doubled. Unlike hospital employment in the rest of the nation over the past 15 years, Alaska's hospital employment grew almost as rapidly as the rest of health care during this time frame. (See Table 2 and Figure 4.) Recently, however, employment growth in hospitals is mirroring national trends more closely. This is due to Medicare reform and the growing move from inpatient to outpatient care. Employment in Alaska's hospitals actually fell in 1994 and is only inching ahead in 1995, while the rest of health care continues to experience strong growth.

One of the reasons hospitals are such big employers is because they provide around-the-clock care. Three shifts of workers cycle through the hospitals each day. The labor intensity of this business often means hospitals are one of the largest employers in a community. For example, Fairbanks Memorial Hospital is the largest private sector employer in Fairbanks, and Kakanak Hospital is the largest among Dillingham's private employers. Providence Health Care Center and Central Peninsula Hospital (Soldotna) are the second largest private sector employers in their respective communities. Among the top 100 private sector employers in the state, six are hospitals. If we include public hospitals, they are also among the largest employers in a variety of communi-

ties. A few examples include the South Peninsula Hospital in Homer, Seward's General Hospital, and Sitka's Community Hospital.

Hospitals pay good wages

Hospital paychecks on average are higher than they are for most other health services. In 1994, the average monthly wage for hospital workers was \$2,855 compared to \$2,566 for all health services. This is not surprising, since such a large share of the hospital's work force consists of highly skilled professional and technical workers.

New hospitals are being built

Despite recent declines in hospital employment, new hospital construction totaling over \$250 million is going on today. These projects include a new \$160 million Alaska Area Native Health Service (AANHS) hospital in Anchorage, to be completed in late 1996, and a new \$120 million Air Force Hospital on Elmendorf, which just got underway this year. Both of these new hospitals are

Private Sector Health Care Services Employment 1994

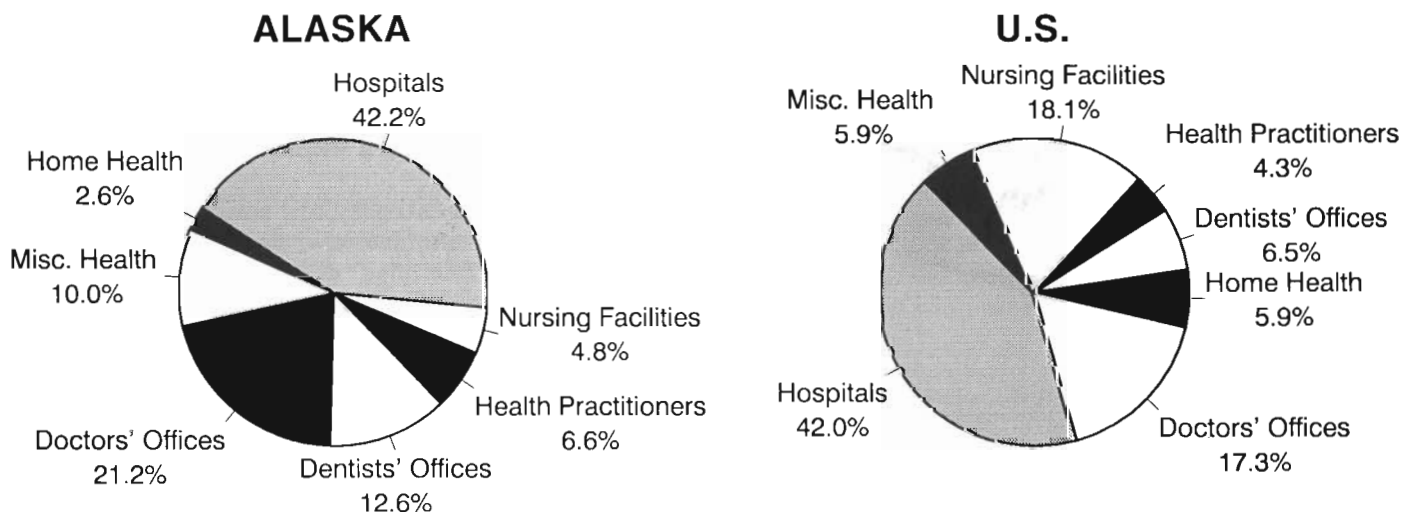
	Alaska 1994	Growth 1980-1994 (%)	Average Annual Growth 1980-1994 (%)
Hospitals	5,416	95.9	4.6
Nursing and Personal Care Facilities	617	n/a	n/a
Doctors' Offices	2,721	118.4	5.3
Dentists' Offices	1,614	173.7	6.9
Other Health Practitioners	846	251.8	8.7
Home Health Care	339	n/a	n/a
Misc. Health Care	1,283	34.5	2.0
Total Health Care	12,836	121.5	5.4
Total Wage and Salary Employment	256,991	51.2	2.8

n/a = not available.

Source: Alaska Department of Labor, Research & Analysis Section.

Figure • 2

1994 Health Care Services Employment



Source: Alaska Department of Labor, Research & Analysis Section.

T a b l e • 3

1994 Median Hourly Wages for Selected Health-Related Occupations in Alaska

	Median Hourly Wage
Physicians & Surgeons	\$46.30
Physicians' Assistants	28.19
Registered Nurses	20.63
Licensed Practical Nurses	15.00
Nursing Aides, Orderlies & Attendants	10.54
Medical Assistants	10.87
Medical Laboratory Technicians & Technologists	18.56
Medical Records Technicians	11.54
Secretaries: Medical	12.50
Pharmacists	28.50
Physical Therapists	23.04
Radiologic Technicians	17.20
Dentists	50.07
Dental Assistants	13.50
Dental Hygienists	30.00
Dietitians & Nutritionists	20.76
Opticians: Dispensing & Measuring	13.32

Source: Alaska Department of Labor, Research & Analysis Section, Alaska Wage Rates 1994.

replacing older facilities. The new AANHS hospital plans to add some staff, but Elmen-dorf does not.

One-third of health care employees work in doctors' and dentists' offices

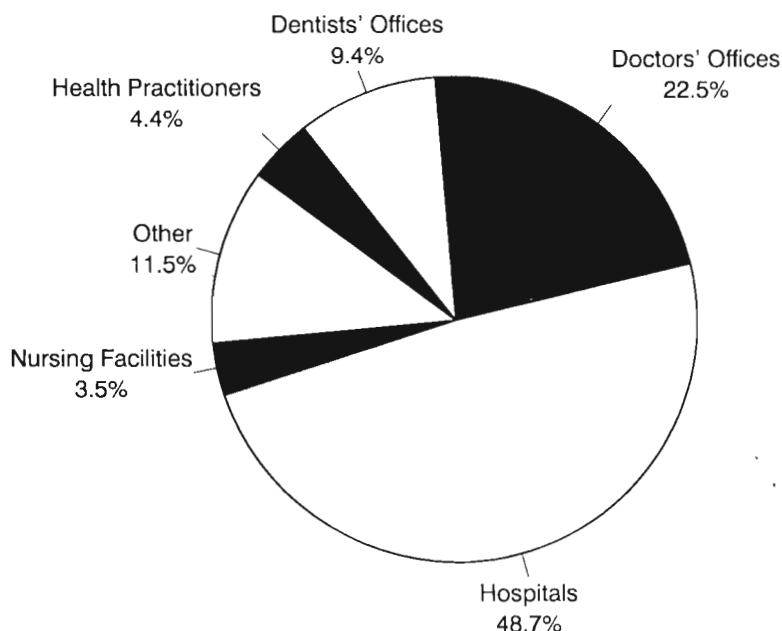
The next biggest employer in health services is doctors' offices. In 1994, doctors' offices employed 21.2% of all health care workers. (See Figure 2.) Employment since 1980 more than doubled or grew by 5.3% per year, nearly identical to the rate of overall health care services. (See Table 2.) Employment in dentists' offices nearly tripled during that same time period. Curiously, the dentists' slice of the health care pie (12.6%) is nearly twice as large as the nation's and has grown far more quickly. This profusion of employment in dentists' offices in Alaska cannot readily be explained.

Nursing facilities remain small in Alaska

Nationally, nursing facilities represent about 18 percent of health services employment compared to only 4.8% in Alaska. This is not surprising given the contrasting demographic picture. Only 4.3% of Alaska's population is 65 or older, compared to 12.7% for the U.S. However, this segment of Alaska's population is among the fastest growing in the state. This means nursing facilities will likely grow fast and absorb a growing slice of the state's health services pie.

F i g u r e • 3

Alaska Private Sector Health Care Services Revenues 1992



Source: U. S. Department of Commerce, Bureau of the Census, 1992.

Employment for other health practitioners explodes

In this category are podiatrists, chiropractors, optometrists, psychologists, and others. Excluded are physicians and dental groups. Since 1980, employment for other health practitioners has more than tripled, growing by over 250 percent. This is the fastest growing segment of health services.

Home health care is small, but growing

Home health care is growing fast, but it remains a small piece of Alaska's health services pie. Home health care is being embraced by many because it is seen as a more cost-effective way to deliver certain kinds of care, and patients often prefer it. Like nursing facilities, this segment too will expand with the aging of the population.

Health care provides a cornucopia of job opportunities

Look in any of Alaska's larger newspapers' "Help Wanted" sections and the number of health care jobs jumps out at you. Health care has all the magic ingredients of an industry laden with job opportunities. The industry is large, employing more than 20,000 Alaskans. The industry is growing more rapidly than most others. Given its ubiquitous nature, jobs in health care exist around the state—even in some of its most rural reaches, where job opportunities often are scarce. Wages for many of these occupations are above average. (See Table 3.) Moreover, the jobs are largely recession proof and, unlike so much of Alaska's economy, they are usually full-time, and not seasonal.

On the down side of job opportunities in the health care industry, sometimes the work hours are not desirable. This is particularly true in hospitals. In addition, frequently training for many of these jobs is available only outside of Alaska. This is the case for the majority of health care occupations requiring more than a high school degree. These are listed in Table 4.

Health care occupations are featured prominently in any listing of the fastest growing occupations for the nation or Alaska. For example, for the 25 occupations forecast to grow the most rapidly in the state, nine are in health care services. In Table 4, the outlook for 24 out of 33 of these occupations is deemed good to excellent. None is rated below average.

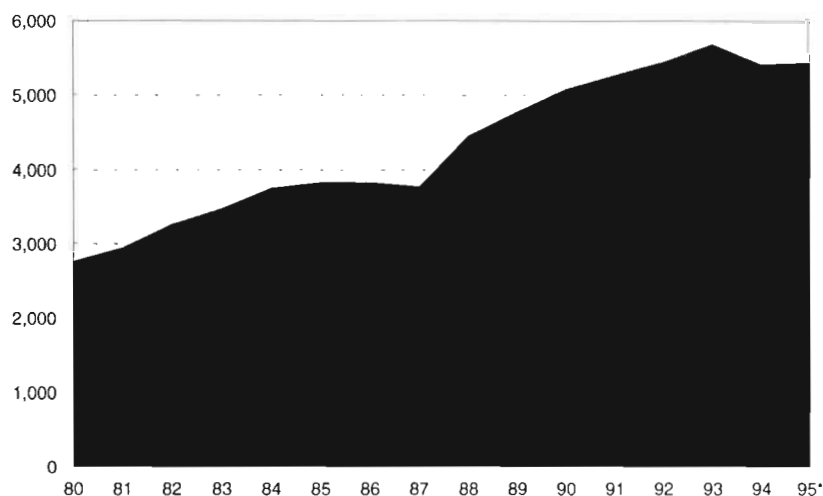
A Bright Outlook for Occupations in Alaska's Health Care Industry

Occupation	Employment 1993	Forecasted Employment 1997	Outlook
Chiropractors	54	63	Excellent
Dental Assistants	603	662	Good
Dental Hygienists	316	354	Good
Dental Laboratory Technicians	99	103	Average
Dentists	442	471	Average
Dietetic Technicians	56	62	Good
Dieticians & Nutritionists	75	79	Average
Emergency Medical Technicians	206	218	Average
Home Health Aides	228	247	Good
Licensed Practical Nurses	133	158	Excellent
Medical Assistants	428	442	Average
Medical Laboratory Technicians/Technologists	217	234	Good
Medical Record Technicians	302	322	Good
Medicine & Health Services Managers	616	664	Good
Nursing Aides/Orderlies/Attendants	3,753	4,021	Good
Opticians: Dispensing & Measuring	1,174	1,248	Good
Optometrists	124	138	Good
Pharmacists	48	50	Average
Pharmacy Assistants	172	179	Average
Pharmacy Technicians	51	55	Good
Physical /Corrective Therapist Assistants/Aides	34	35	Average
Physical Therapists	96	110	Excellent
Physicians & Surgeons	175	200	Excellent
Physicians' Assistants	138	147	Average
Psychiatric Technicians	725	793	Good
Psychologists	80	91	Excellent
Radiologic Technicians/Technologists	315	344	Good
Registered Nurses	306	342	Excellent
Respiratory Therapists	99	110	Excellent
Secretaries: Medical	219	254	Excellent
Social Workers: Medical & Psychiatric	691	751	Good
Speech Pathologists & Audiologists	237	256	Good
Surgical Technicians	46	51	Excellent

Source: Alaska Department of Labor, Research & Analysis Section.

Figure • 4

Growth in Hospital Employment Loses Steam



* Employment estimates, three-month average.

Source: Alaska Department of Labor, Research & Analysis Section.

Will the health care job machine continue to produce?

Much uncertainty surrounds this question today because of the tremendous pressure to bring health care costs under control. Like elsewhere in the nation, the cost of health care in Alaska has sped way ahead of the overall cost of living. (See Figure 5.) Both the public sector and employers are the payers for more than three-quarters of Alaska's medical health care bills. And, since the delivery of health care is a labor-intensive activity, curbing labor costs is becoming a major area of emphasis.

In the near future, another possible brake on growth will come with curbs on spending for Medicare and, more importantly in Alaska, Medicaid. Combined, these programs represent about 19 percent of all health care expenditures. When these expected fiscal restraints arrive, past growth rates will be difficult to sustain. If the cuts in these government programs are severe enough, they could cause contraction in certain areas of health care. In fact, some contraction already is happening in Alaska. For instance, hospital layoffs, once virtually unheard of, have become commonplace during the past two years, and could accelerate.

Table • 5

Average Prices

City	Hospital Room	Doctor Visit	Dentist Visit
U.S. Average	\$357	\$43	\$54
Anchorage	599	59	106
Fairbanks	479	73	132
Juneau	390	57	129
Ketchikan	495	83	117
Kodiak	554	62	117
Tacoma, WA	437	55	97
Los Angeles, CA	744	55	58
Boise, ID	415	49	65
Portland, OR	476	49	76

In response to rising medical costs, companies elsewhere in the nation are moving to managed care by joining health-maintenance organizations (HMOs) or other types of managed care. Although no HMOs are present in Alaska today, managed care of sorts and other partnering arrangements are emerging. For example, preferred provider contracts between insurers and health care providers are becoming more common.

Competition among providers also is heating up. Health services previously managed and provided by the federal government now often are administered by Native nonprofit health providers with far fewer strings attached than before. Some of the nonprofits also are exploring the idea of providing some of their services to the general public, and

Source: American Chamber of Commerce Researchers Association, Cost of Living Index, Average Price Data, 1st Quarter 1995 (310 urban areas surveyed).

not just to the Native population. Consolidation is also very likely.

Alaska's health care industry does not operate in a vacuum when it comes to cost. Only limited data exist comparing health care costs in Alaska with the rest of the nation (See Tables 5 and 6.) The University of Alaska estimated Alaskans spend about 54 percent more on a per capita basis on health care than the average American. Higher costs do put pressure on Alaska's health care providers and place them at a relative disadvantage. Some Alaska health care providers are already feeling competition from providers elsewhere in the nation. For example, in 1993, 2,140 Alaskans were hospital patients in Washington State. If the cost differentials are large enough, it often becomes cheaper for patients to fly out of state for treatment.

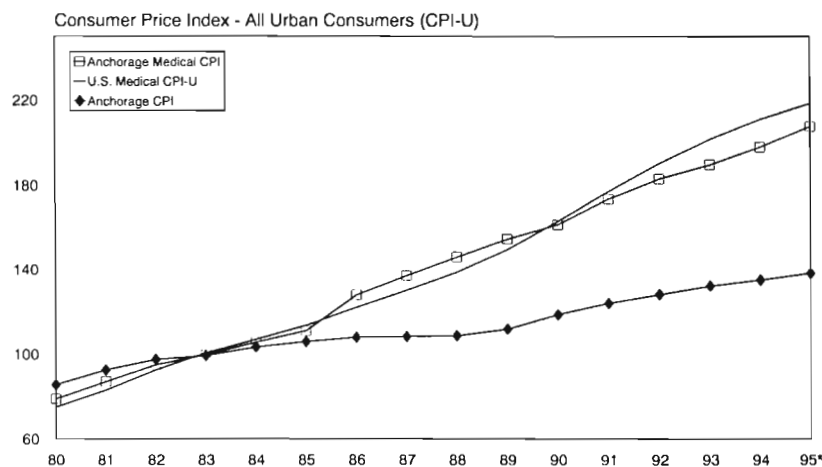
The demand for health care is expected to continue to grow. Technological changes will continue to generate new occupational opportunities in health care. New ways to deliver health care also will give rise to new opportunities. Home health care is one example of this. Another example is telemedicine which will certainly usher in revolutionary changes in the delivery of some health care services in the state. Population growth and the aging of the population will put increased demand on health care services as well.

The big question is which set of factors will weigh more heavily in the future growth of Alaska's health care sector. Will it be cost containment and fiscal pressures or factors creating increased demand? The answer probably will not be known for years.

What does seem likely is that job growth in the future will slow. The dramatic changes in the way health care will be delivered in the future will also mean job security will not be as ironclad as it once was. However, there is little question that the industry will continue to generate new employment possibilities. Given the dynamism of this industry, its sheer size, and its relatively high turnover rate, new opportunities will emerge.

Figure • 5

Rising Medical Costs Outpace Inflation Rate



*Data reflect 1st half of 1995.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Table • 6

Urban Area Index Data

City	Health Care Costs
U.S. Average	100.0
Anchorage	158.3
Fairbanks	182.2
Juneau	163.6
Ketchikan	183.8
Kodiak	169.9
Tacoma, WA	143.1
Los Angeles, CA	133.0
Boise, ID	113.6
Portland, OR	125.0

Source: American Chamber of Commerce Researchers Association, Cost of Living Index, 1st Quarter 1995 (310 urban areas surveyed).