

Pittsburgh-based health system cutting costs with early retirement offers

Evan Winters, Phyllis Scherrer
24 June 2015

University of Pittsburgh Medical Center (UPMC) is offering early retirement buyouts to workers at its facilities throughout the state of Pennsylvania. The offer is available to workers age 60 or older who have worked 10 years or more for UPMC. Based in the former steel capital of the world, UPMC employs roughly 62,000 people, making it the state's largest private employer.

About 3,500 employees, or 5.6 percent of the total, are eligible for the buyout. A UPMC statement says buyouts include medical and dental benefits and a one-time severance payment of \$15,000. The offer apparently does not include standard defined-benefit pensions for all workers. This means some of those taking the buyouts will be forced to survive on their savings, plus \$15,000 and whatever income older workers can find for the rest of their lives.

Workers were given a two-week period to make a decision and had until June 12 to accept the offer. UPMC was expected to reply by June 22. Employees will likely be kept on for the summer months of July, August and through September to cover shortages and vacations, with the job cuts expected to take place afterwards.

The early retirements are a cost cutting measure that will undermine patient care and work conditions. UPMC is essentially purging the most experienced caregivers with the aim of bringing in younger and less expensive employees. The new workers will not be paid as much and their health care costs will be cheaper.

Revenue from UPMC's hospitals in the last quarter was flat at \$1.4 billion, and income from operations dropped by 68 percent to \$20.2 million, the system reported last month. Part of the decline can be attributed to a one-time gain of \$38 million in the same

quarter the year before. Some of the decline is also attributable to increased competition from regional competitor Highmark Health.

UPMC, which has entered the insurance business, announced at the beginning of the year that it would no longer accept patients with the area's largest insurer Highmark/Blue Cross/Blue Shield. Patients were allowed to maintain their current physicians until the beginning of 2016.

Nevertheless, job and other cost-cutting measures are being introduced at hospitals throughout the area. The Hospital Council of Western Pennsylvania last month reported a two percent decline in full-time employment, or the loss of 1,200 jobs, at the region's hospitals during 2014. According to Frank Gamrat, an economist with the Allegheny Institute for Public Policy in Castle Shannon, "the face of health care is changing," and "hospital stays are no longer the norm."

Insurance companies are trying to discourage emergency room visits and hospital stays, and encourage outpatient treatments whenever possible, even if it is not in the best interest of the patient. This requires fewer highly skilled and higher paid health care professionals in the hospitals.

The decline in hospital use is a direct and intended consequence of Obamacare, which was designed to cut health care costs to businesses while bringing windfall profits to insurance providers. Health plans purchased on private exchanges tend to include high out-of-pocket costs, which force workers to "self-ration" health care consumption and avoid the hospital.

The Obama administration has also reduced Medicare payments to hospitals and introduced financial incentives for them to reduce stays. New federal contracts such as Medicare's "Accountable Care" program, launched under Obamacare, allow hospitals to

keep some of the money they save from shortening stays.

All of these factors have unleashed a cost-cutting competition between major hospital chains and further attacks on the jobs and conditions of already overworked health care workers.

WSWS reporters spoke with several workers in the Pittsburgh-area borough of McKeesport about the health care industry, and the jobs situation in the area. McKeesport was once home to the massive US Steel National Tube works, which at its peak employed nearly 12,000 steelworkers. The mill was closed in 1987 along with scores of other steel mills and coal mines throughout the southwestern Pennsylvania region.

Steve, 45, a technician and medical records worker who has worked at UPMC for 26 years said, “I make \$11 an hour at UPMC.” In addition to working full time at UPMC, Steve works nine hours per week at a minimum wage job.

“The mills were different and a lot of other businesses emerged because of US Steel. The pay was higher because of the dangers. My dad worked there for 35 years. He got a good pension and retirement and everything.

“There are unions in different facilities [at UPMC] but I really don’t like the unions because they’re company-based unions.

“They’re going to be offering the buyouts to people here over 60 years old,” Steve said. “You have to have been here for 10 years, and you get paid for four months. There is a \$15,000 bonus. A lot of people are taking it.”

Juan, 46, a resident of McKeesport spoke about jobs in the area. “I work at Blawnox, part-time. I need to work 90 days before they hire me full-time.” The commute time from McKeesport to Blawnox by car is 40 minutes, and by bus it is two hours due to transfers. “There’s really no jobs out here in McKeesport. There’s nothing really here. If you’re not already working.”

United States Steel Tubular Products in McKeesport was open between May 2011 to June 2014, producing pipes for hydraulic fracturing operations. Juan said when the pipe factory was open, “there was work, they were hiring.”

Joaquin Jr., a resident of McKeesport, spoke with

WSWS reporters outside a UPMC hospital. He said, “I used to be a medical tech, working alongside nurses. We got trained in the program and were tested every year to make sure we knew what we were doing. I could do three things at once—stick an IVAC [intravenous fluid pump] in, and take a pulse and temperature at the same time. A lot of people here now are new.

“I worked 320 hours per month for three months straight. I was working at a step down from ICU unit and would work four, 12-hour days. I was in the unit once when nine patients came in, a lot of them wearing telemetry (special monitoring equipment). I had two people from Cath Lab, one from angioplasty. I had to go from room to room to do their vitals. Could you imagine running from three rooms? By the time you got done with one, it was time for another.”

After another stressful incident, Joaquin said, he felt like he had suffered a nervous breakdown. “I walked out front and stared at everybody quietly. I called the office and said they needed someone to cover my floor because I quit. It was my 38th birthday and I felt a great relief. I had been at the hospital 14 years. When I filled out the form at the unemployment office saying why I lost my job, I wrote ‘stress’. They told me they had gotten a lot of other nurses for the same reason.

“Profits, instead of patient care became the priority, it seemed more like warehousing people, and handling them more like product.”



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact