Health systems want to grow. That's a problem when it comes to controlling health care spending.

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How can health care become more affordable if almost every health system wants to grow and increase its revenue?

That's one of the questions raised by a recent survey of health systems.

Roughly a third of those surveyed said their largest investment in the next three years will be capital projects to expand or build hospitals, clinics and other facilities. An additional 24% said their largest investment will be expanding their networks of primary care clinics and outpatient services.

Both generally increase costs and, in turn, the need for more revenue.

It suggests one of the conflicts facing health systems: They recognize the need to control costs but also want to grow.

The survey by Kaufman Hall/Axiom, a consulting and software company, was of 169 executives, vice presidents and other staff of health systems, ranging in size from one hospital to 10 or more hospitals. More than 70% of those who responded were executives or in finance.

The responses provide a glimpse into what top executives and other staff see as their organizations' challenges and priorities.

The survey — done with the help of the Healthcare Financial Management Association — focuses on performance improvement and includes questions on revenue, expenses, future investment and efforts to control costs.

One paradoxical result of the survey is 23% of the health systems said the greatest pressure on their efforts to control expenses was the money needed to pay for "strategic growth initiatives."

It ranked second behind rising salaries and wage inflation.

In other words, almost one in four health systems said their greatest obstacle in controlling costs was that they needed to spend money to maintain market share or increase revenue.

“They always talk about cutting costs, but they seldom actually do it,” said Gerard Anderson, director of Johns Hopkins Center for Hospital Finance and Management. “And the reason is they have no incentive.”

Health care spending is approaching one-fifth of the U.S. economy — and continues to grow at a faster pace than the economy. It reached $3.6 trillion, or $11,172 per person, in 2018 and is roughly 50% more than the next developed country.

The result is lower wages, less spending on government services and lower investment by other sectors of the economy.

Employees also now pay a larger share of the cost of health benefits and have larger deductibles and other out-of-pocket expenses. Seven in ten people said that reducing health care costs should be a top priority, according to a survey done by the Pew Research Center.

Without question, not all spending on expanding or adding new hospitals, clinics and surgery centers increase health systems’ costs. They also can replace outdated and inefficient facilities.

“You can control cost and still expand,” said Lance Robinson, a managing director for Kaufman Hall.

The survey also found that health systems are putting more priority on controlling costs.

Last year, 32% of the health systems surveyed did not have a goal for reducing costs in the next five years. This year, when asked the same question but for three years, only 4% did not have a goal.

The goal was modest for 40% of those surveyed: cutting costs by 1% to 5%.

Some of the spending by health systems, such as surgery centers, is in response to the increase in procedures that no longer require an overnight stay in a hospital.

Flat or declining inpatient revenue was cited as the most significant pressure on revenue.

Yet health systems also continue to build new hospitals. That can be seen in southeastern Wisconsin. Aurora Health Care, part of Advocate Aurora Health, is building a $250 million hospital and medical office building in Mount Pleasant. And ProHealth Care is building a $55 million hospital in Mukwonago.

Those hospitals will be designed to provide outpatient procedures more efficiently.

That said, building new hospitals when inpatient revenue is declining struck Cheryl DeMars, CEO of the Alliance, a cooperative based in Madison for more than 250 employers who self insure, as a bit of a disconnect.

“Those two things seem to be in competition with each other,” she said.

To DeMars, spending by health systems to expand adds to costs.

“That’s how I see it,” she said.

At the same time, health systems have had the ability to cover the additional costs by raising prices — and prices are considered the main reason that health care spending in the United States is much higher than other countries.

This is because health systems now have more leverage when negotiating rates with insurers, said Anderson, who also is a professor at Johns Hopkins University.

“If you can raise prices,” he said, “you will raise prices.”

The ability to raise prices in turn enables health systems to spend on new sites and services.

“If you give me money, I will spend it,” Anderson said.

Yet 27% of the health systems in the Kaufman Hall/Axiom survey said downward pressure on commercial insurance rates was the most significant pressure on their revenue.

Robinson said the response stems from the increase in deductibles — though negotiated prices for services can decrease in some markets where one large health insurer dominates.

Only 3% of the health systems said that lower-priced competition was putting the greatest pressure on their revenue.

That wasn’t a surprise.

“The reason that competition from the lower-priced service providers isn’t higher on the list is because for the most part, people can’t see who has the lower cost,” DeMars said.

Health systems instead tend to compete on services, amenities, location and increasingly, convenience.

“They don’t win by offering a lower price,” said Rob Plesha, an actuary and consultant in the Madison area.

The emphasis on location and convenience can be seen in the three so-called micro-hospitals — essentially an emergency department with a small number of inpatient beds — planned in the Milwaukee area.

Froedtert Health and Ascension are partnering with for-profit companies to open the hospitals in Oak Creek, Mequon and Menomonee Falls.

But Robinson of Kaufman Hall said that prices eventually will matter.

“There will come a time — I don’t have a crystal ball — when pricing becomes more important,” he said.

That is why the consulting firm stresses the importance of cutting costs to its clients. But Kaufman Hall also noted that several potential areas to lower costs remain relatively untapped.

Only 5% of the health systems surveyed said that “service rationalization” — not providing certain medical services that are offered by competitors — has the most potential for reducing costs.

“You can’t be all things to all people anymore,” Robinson said.

And only 16% of the health systems in the survey cited lessening the variation in how medicine is practiced as the most promising area for reducing costs.

In primary care alone, lessening variation could save hundreds of millions of dollars a year in Wisconsin, according to a recent study done for the Business Health Care Group, an employer coalition.

But lessening the variation in how medicine is practiced requires influencing the hundreds of decisions that doctors make in a typical day, and it was cited as the hardest area to lower costs by 25% of health systems in the Kaufman Hall survey.

Only 4% said it was the area in which their health systems had the greatest success in reducing costs.

Kaufman Hall encourages its clients to improve their understanding of their costs.

Its also recommends also using benchmarking to identify ways to lower costs, giving physicians information on quality and costs and establishing more accountability for reaching performance goals.

Employers and employees who have long dealt with rising health care costs would welcome that. But, for now, they probably remain skeptical, particularly given that health systems also want to grow and increase revenue.

“When you look at the behavior of health systems,” DeMars said, “it’s hard to make the case that a lot of what they are doing is serving patients and controlling costs.”