



Inflation Reduction Act Introduction - What is it & How could this Impact the Healthcare Sector?

September 2023

How could the Inflation Reduction Act help the healthcare industry in reducing greenhouse gas emissions?

The Inflation Reduction Act (IRA), signed into law in August of 2022, focuses new federal spending towards reducing greenhouse gas emissions, lowering healthcare costs, funding the IRS, and improving taxpayer compliance.¹ But how does this act directly impact greenhouse gas emissions produced from the healthcare industry?

The U.S. healthcare system is one of the leading industries contributing to greenhouse gas emissions. The healthcare industry, alone, produces 8.5% of all greenhouse gas emissions in the U.S.² But this is not new news. The healthcare industry has been aware of its impact on the environment and has begun producing initiatives to push organizations in the industry to take action. In April of 2022, the U.S. Department of Health and Human Services launched an initiative to encourage healthcare facilities to commit to reducing greenhouse gas emissions by 50% by the year 2030.³ In addition, attempting to reach net zero by 2050. One hundred and two organizations representing eight hundred and thirty seven hospitals have made the commitment to meet the targets, but other healthcare organizations struggled to get on board. However, it is believed that the Inflation Reduction Act is giving the healthcare industry the push that they need to commit to the goals set out by the Department of Health and Human Services.

In comparison, to the April 2022 initiative, the Inflation Reduction Act is pushing its efforts by taking action. Below are incentives that the Inflation Reduction Act has enacted to push healthcare facilities to make the change:

- **Turning towards alternative sources of energy.** The Inflation Reduction Act offers a variety of tax credits and incentives to companies that use other forms of electricity (solar, wind, etc.) that will reduce their greenhouse gas emissions.
- **Reduce transportation emissions.** In addition to alternative energy sources, the IRA is offering tax credits for companies investing in electric vehicles within their commercial fleets, or alternatively, utilizing a third-party transportation company that operates in a sustainable manner.

¹ Justin Badlam, The Inflation Reduction Act: Here's what's in it. McKinsey & Company, 2014.

² Eckelman M, Huang K, Lagasse R, Senay E, Dubrow R, Sherman J et al. "Healthcare Pollution and Public Health Damage In the United States: An Update." Health Affairs. 2020; vol. 39, no.12.

³ HHS Launches Pledge Initiative to Mobilize Health Care Sector to Reduce Emissions. U.S. Department of Health and Human Services. 2022.

- **Additional financing opportunities.** The IRA has provided multiple financing approaches in order to receive as much action from organizations as possible. For instance, the tax credits have a ‘direct pay’ option which can allow nonprofit hospitals with no tax liability to participate.⁴ Meaning, the nonprofit hospital or healthcare facility would receive direct payment from the government for the value of the tax credit. In addition, the Greenhouse Gas Reduction Fund, from the IRA, prioritizes deprived communities which could ultimately help hospitals that serve those communities.

Alternatives to healthcare product manufacturing. The last example of how this Act could help hospitals reduce greenhouse gas emissions is through materials. The manufacturing of products used to construct hospitals (e.g., cement, steel, etc.) and materials used within a hospital (e.g., plastic, paper, rubber, etc.) are large producers of carbon emissions.⁵ Hospitals could reduce their environmental impact by either cutting back on the materials that they receive from these third parties or finding a third-party organization that operates in a sustainable manner. The IRA is offering investments and tax incentives to non-profits and government agencies alike, to push and help healthcare facilities to make the change towards using alternative materials.

As already stated, the Inflation Reduction Act is pushing action for industries to make the change to climate-friendly operations. This act offers plenty of opportunities and incentives for the healthcare sector, one of the leading polluters in the U.S., to do so. As the WHEA Energy & Sustainability Committee, we encourage Healthcare facilities to start to make climate-friendly changes.

To learn more about the Inflation Reduction Act of 2022, below you can find credible resources.

Resources:

[How the Inflation Reduction Act Can Help the Health Care Sector Reduce Greenhouse Gas Emissions](#)

[Inflation Reduction Act: Here's what's in it](#)

[HHS Launches Pledge Initiative to Mobilize Health Care Sector to Reduce Emissions](#)

[Health Care Pollution and Public Health Damage in the United States: An Update](#)

~ **The Sustainability & Energy Committee**

⁴⁻⁵ Joe Kruger, *How the Inflation Reduction Act can Help the Healthcare Sector Reduce Greenhouse Gas Emissions*. To the Point (blog), Commonwealth Fund, 2022.