

The Value of Caring

The economic contribution of metropolitan Chicago area hospitals on the region's economy

A report by the Metropolitan Chicago Healthcare Council, September 2004

OVERVIEW

Hospitals provide tremendous amounts of health care and medical services to the residents of the metropolitan Chicago region, which comprises seven counties in northern Illinois: Cook, DuPage, Kane, Kankakee, Lake, McHenry and Will. However, the full value of the contributions that metropolitan Chicago area hospitals make to the region's economy is not always recognized.

Hospitals throughout the region have a significant impact on the local economy. In 2003, hospitals:

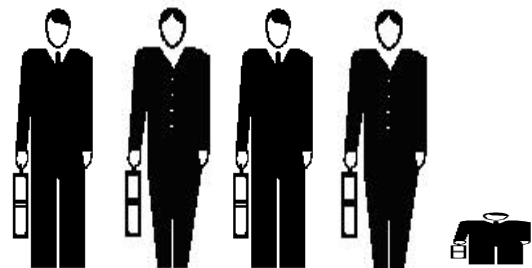
- Directly employed 142,347 full-time equivalent jobs
- Paid wages, salaries and benefits to their employees totaling \$9.0 billion
- Generated new capital investments totaling approximately \$1.8 billion

These direct activities account for only a fraction of the total economic impact hospitals have on the metropolitan Chicago economy. When a hospital buys goods and services such as linens, food, office supplies, utilities, etc., these purchases support other businesses in the region. In addition, when hospital employees buy goods and services such as groceries, clothing, gasoline, food, etc., the purchases also support other businesses in the metropolitan Chicago area.

The economic impact created in other businesses as a result of hospital and hospital employee spending are called secondary impacts. The secondary impacts are calculated by widely used and accepted economic multipliers that measure how employment, wages and salaries (personal income) generated by hospitals affect the area's economy.

Figure 1: Impact on Chicago-area jobs

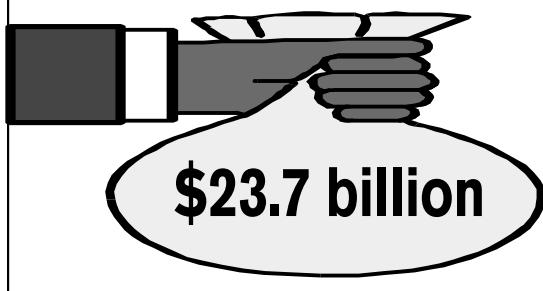
Hospitals directly and secondarily employ 402,290 workers in the metropolitan Chicago area, making hospitals the third-largest source of employment in the region.



Each figure represents 100,000 Chicago-area hospital jobs.

Figure 2: Impact on personal income

Hospitals generate \$23.7 billion of personal income for metropolitan Chicago-area residents.



When the jobs, wages and salaries that hospitals create in other sectors (secondary impacts) are combined with the direct impact of hospital employment, wages and salaries, the total impact of hospitals on the economy of the metropolitan Chicago area is:

- 402,290 total jobs in hospitals, working on hospital construction projects or employed in other businesses due to hospital secondary spending (see Figure 1). This accounts for 8.1 percent of the metropolitan Chicago area's total labor force.
- \$23.7 billion in personal income generated by hospitals, hospital construction projects or other businesses due to secondary spending. This accounts for 9.5 percent of the metropolitan Chicago area's total personal income (see Figure 2).

ECONOMIC IMPACT OF METROPOLITAN CHICAGO AREA HOSPITALS

In the summer of 2004, the Metropolitan Chicago Healthcare Council conducted a detailed survey of all hospitals in the metropolitan Chicago area. Summary statistics of the survey are provided in Figure 3. This information was used to measure the economic impact of metropolitan Chicago area hospitals.

As illustrated in Figure 3, there are 99 hospitals in the metropolitan Chicago area with total employment of 142,347 full-time equivalent employees (FTEs). The average employment per hospital was 1,439 FTEs; and the amount of wages, salaries and benefits paid by Chicago area hospitals to their employees totaled \$9.0 billion. The average wage paid per hospital employee, including salaries and benefits, was \$63,088 annually. This is more than \$20,000 higher than the average annual wage paid in all industries (\$43,021), confirming that hospitals are a high-wage sector.

Figure 3: Summary of economic statistics for metropolitan Chicago area hospitals

ITEM	STATISTIC
Number of hospitals	99
Total employment (FTE)	142,347
Average employment per hospital	1,439
Total wages, salaries and benefits	\$9.0 billion
Average wages, salaries and benefits per employee	\$63,088
Total capital investment (avg. past two years)	\$1.8 billion
Average annual capital investment per hospital	\$18 million

Source: MCHC Hospital Survey, 2004

A growing and aging population and new technology dictate that metropolitan Chicago area hospitals invest a huge amount in capital improvements annually. The average total capital invested by all hospitals each of the past two years was \$1.8 billion, or about \$18 million per hospital.

The activities of hospitals and employees create a large number of jobs (and wages and salaries) in other businesses, known as secondary impacts. A nationally accepted input/output economic analysis model, known as MicroImPLAN, was used to estimate the secondary impacts provided by the metropolitan Chicago area hospitals occurring in these other businesses (Figure 4).

Figure 4: Total employment impact of metropolitan Chicago area hospitals

TYPE OF EMPLOYMENT	NO. OF JOBS
Operating activities	142,347
Capital activities	18,183
Secondary employment in other businesses	241,760
Total employment impact	402,290
Percent of total employment	8.1%

Source: MCHC Hospital Survey, 2004

The hospital employment multiplier (2.54) for the metropolitan Chicago area shows that one hospital job supports 1.54 additional jobs in other sectors of the region's economy (Figure 5). By comparison, the employment multipliers for the wholesale-trade, retail-trade, arts, entertainment, recreation, accommodations and food-services sectors range from 1.6 to 1.8. In fact, the hospital employment multiplier is the third-highest among all sectors in the metropolitan Chicago area, ranking behind only manufacturing and utilities.

The hospital income multiplier (2.42) indicates that each dollar of hospital wages and salaries supports \$1.42 in additional wages and salaries in other sectors of the region's economy. Therefore, the total employment impact of the metropolitan Chicago area hospitals was 402,290 jobs, or 8.1 percent of the total metropolitan area workforce. The total impact of

Figure 5: The Multiplier Effect

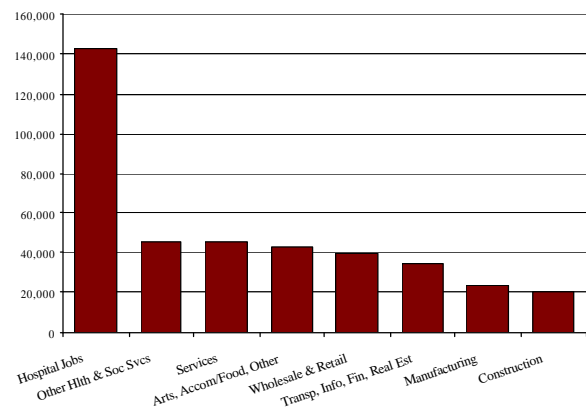


Figure 6: Total impact of metropolitan Chicago area hospitals on personal income

SOURCE	PERSONAL INCOME
Operating activities	\$9.0 bil.
Construction activities	\$1.0 bil.
Secondary income in other businesses	\$13.7 bil.
Total impact	\$23.7 bil.
Percent of total personal income	9.5%

Source: MCHC Hospital Survey, 2004

Figure 7: Breakdown of jobs created by the hospital sector in the metropolitan Chicago area



metropolitan Chicago area hospitals on personal income was \$23.7 billion, or 9.5 percent of the region's total personal income (Figure 6). A sector breakdown of jobs supported by metropolitan Chicago area hospitals is presented in Figure 7.

TRENDS AND THE FUTURE IMPACT OF HOSPITALS ON THE REGION'S ECONOMY

Hospitals and health services are a huge part of the metropolitan Chicago region's economy. According to 2002 data from the Bureau of Economic Analysis, the health care and social service sector (which includes hospitals) in the metropolitan Chicago area supports 469,055 full- and part-time employees, representing 10.6 percent of the region's total employment in 2002. **This sector is the region's third-largest employment sector, ranking only slightly behind manufacturing at 11.4 percent and retail trade at 11.0 percent (Figure 8).**

If past trends and current projections are correct, the health sector likely will become the largest employment sector in the future, with the region's hospitals driving that growth. Trend data clearly indicates how the health sector, which comprises hospitals and health care providers, is growing. Employment in this sector grew substantially from 1990 to 2001 (Figure 9).

Figure 8: Private employment by sector in the metropolitan Chicago area

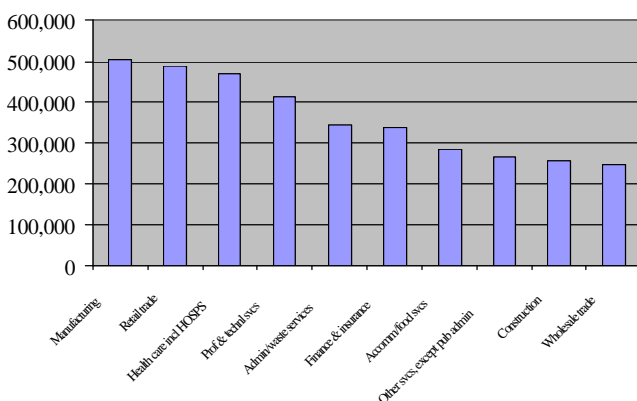
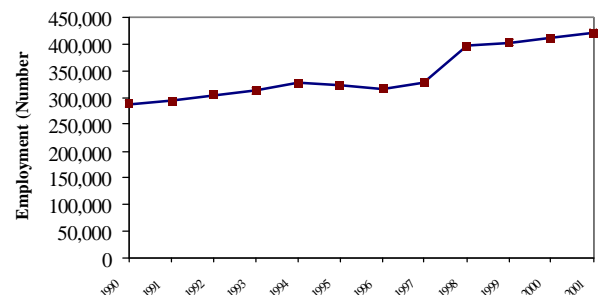


Figure 9: Employment in the metropolitan Chicago area health sector



Source for Fig. 7, 8 and 9: U.S. Department of Labor, Bureau of Economic Analysis, 2002

The already significant impact of metropolitan Chicago area hospitals on the local economy is expected to continue to grow (Figure 10). A study conducted by Health Care Futures in June 2003 predicted that Chicago area hospitals will need 22,500 additional employees by 2020 to meet projected population increases and additional demand for services.

Using these projections, a total of 50,625 FTEs will be added to the region’s economy in the next 16 years as a result of metropolitan Chicago area hospitals and their impact on the regional economy. This equates to an average annual increase of 3,164 new jobs.

Figure 10: Projected employment growth due to metropolitan Chicago area hospitals, 2004-2020

SOURCE OF EMPLOYMENT GROWTH	NO. OF JOBS
Hospital operations	17,910
Hospital construction	2,292
Other business	30,423
Total employment growth, 2004-2020	50,625
New jobs annually	3,164

Source: MCHC Hospital Survey, 2004

CONCLUSION: HOSPITALS ARE A VITAL ECONOMIC ENGINE FOR THE METROPOLITAN CHICAGO AREA

This study highlights the value of metropolitan Chicago area hospitals to the region’s economy. It takes into account critical metropolitan area demographic and growth trends, and it projects future hospital employment impacts for 2020.

Ultimately, this study demonstrates how metropolitan Chicago area hospitals have been and will continue to act as a vital economic engine in their local communities through which they generate substantial impacts on the entire regional economy.

Going forward, local and regional government leaders will continue to seek economic development strategies that support healthier communities and generate better-paying and sustainable employment opportunities. The metropolitan Chicago area hospitals are doing just that – creating jobs with above average wages that develop and support other economic opportunities throughout the region – and therefore should not be overlooked as a vital economic engine.

Our public policy makers and opinion leaders should adopt policies and strategies to enhance and encourage this projected hospital growth, which is in response to demographic changes throughout the region (e.g. population growth, an aging population, etc.) and technology advancements.

About the Study

This study, “The Value of Caring,” was commissioned by the Metropolitan Chicago Healthcare Council and conducted by Dr. Gerald A. Doeksen. Dr. Doeksen is a Regents Professor and Health Economist at Oklahoma State University. The model used by Dr. Doeksen is widely used and accepted by economists and other planners across the United States.

The Metropolitan Chicago Healthcare Council is a membership and service association comprising more than 140 hospitals and health care organizations working together since 1935 to improve the delivery of health care services in the area.