

The Value of Caring

The economic contribution of Rockford hospitals on the region's economy

A report by the Metropolitan Chicago Healthcare Council, September 2005

OVERVIEW

Hospitals provide tremendous amounts of health care and medical services to the residents of the Rockford area. The three hospitals in Rockford – OSF Saint Anthony Medical Center, Rockford Memorial Hospital and Swedish-American Health System – also have a significant impact on the local economy.

However, the full value of the contributions that Rockford hospitals make to the region's economy is not always recognized. These hospitals' direct activities account for only a fraction of the total economic impact hospitals have on the Rockford 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 Rockford 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.

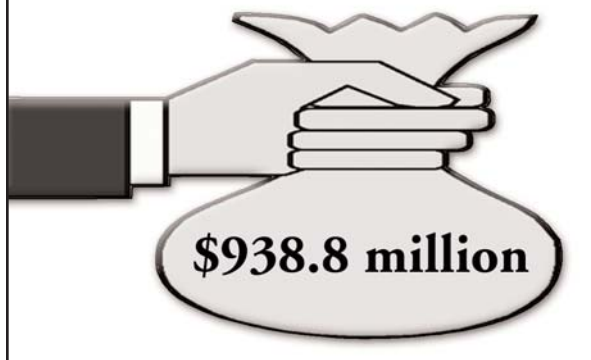
Figure 1: Impact on Rockford-area jobs

Hospitals directly and secondarily employ 14,935 workers in the Rockford area, making hospitals one of the largest sources of employment in the city.



Figure 2: Impact on personal income

Hospitals generate \$938.8 million of personal income for Rockford-area residents.



In the summer of 2005, the Metropolitan Chicago Healthcare Council conducted a detailed survey of all hospitals in Rockford. This information was used to measure the economic impact of the Rockford hospitals.

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 Rockford-area economy is:

- 14,935 total jobs in hospitals, working on hospital construction projects or employed in other businesses due to hospital secondary spending (see Figure 1).
- \$938.8 million in personal income generated by hospitals, hospital construction projects or other businesses due to secondary spending (see Figure 2).

ECONOMIC IMPACT OF ROCKFORD HOSPITALS

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 ImPLAN, was used to estimate the Rockford hospitals' secondary impacts on employment and personal income in these other businesses.

The hospital employment multiplier (2.54) for the Rockford area shows that one hospital job supports 1.54 additional jobs in other sectors of the region's economy (Figure 3). 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 region, ranking behind only manufacturing and utilities.

The hospital income multiplier (2.43) indicates that each dollar of hospital wages and salaries supports \$1.43 in additional wages and salaries in other sectors of the region's economy. Therefore, the total employment impact of the Rockford hospitals was 14,935 jobs. The total impact of Rockford hospitals on personal income was \$938.8 million.

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. The already significant impact of Rockford hospitals on the local economy can be expected to continue to grow.

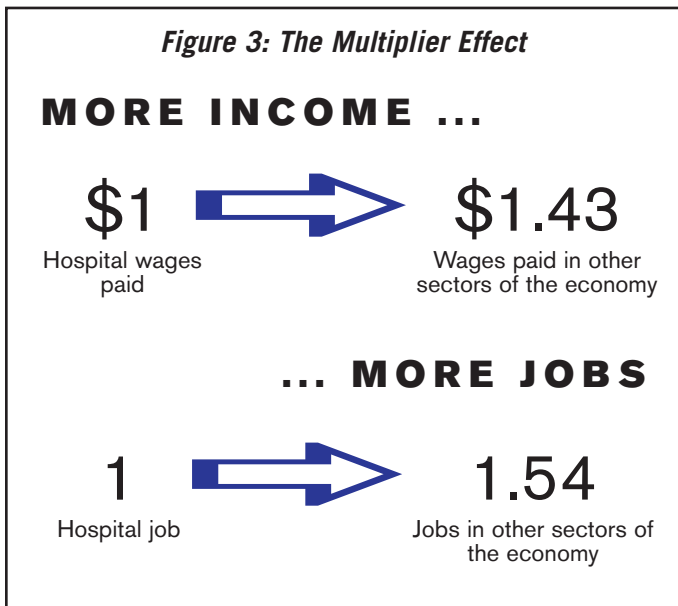
CONCLUSION: HOSPITALS ARE A VITAL ECONOMIC ENGINE FOR THE ROCKFORD AREA

This study highlights the value of the Rockford hospitals to the region's economy. Ultimately, this study demonstrates how the Rockford 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 Rockford 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.

Figure 3: The Multiplier Effect



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.