

Minnesota hospitals play vital role in state's economy

Total statewide impact: \$27.2 billion, 214,108 jobs

Hospitals throughout Minnesota serve as a tremendous asset to communities and regions. With an overarching goal of providing high quality, accessible and affordable care, they provide communities with a broad continuum of essential health care services, from preventive and primary care to surgery, emergency care, mental health services, and hospice care.

Often overlooked is the fact that hospitals are an essential cog in our state and regional economies. Hospitals are often the largest employer in the community, and hospital employees are generally better paid and better educated than most workers. Minnesota's 148 hospitals are nearly all nonprofit, so any margins achieved are reinvested in the community, and hospital dollars tend to stay in the local economy.

■ DEED reports total economic impact

According to an analysis provided by the Minnesota Department of Employment and Economic Development (DEED), on a statewide basis in 2009, hospitals were a source of more than 113,000 jobs,

representing 4.4 percent of all jobs in Minnesota. Hospitals also accounted for more than \$15 billion in total impact to the state's economy, representing about 5.9 percent of the gross state product (GSP) in 2009.

When the ripple effect, or multiplying benefit, that hospitals have beyond the people they hire and the salaries they pay is added to the analysis, hospitals' economic impact is even more impressive. For instance, the business and household needs of hospitals and their employees create a multiplier effect that supports thousands of other jobs. State hospitals directly employ 113,374 people, but another 100,734 jobs are tied to Minnesota hospitals. Thus, with a multiplier effect of 1.89, there is a **total impact of 214,108 jobs**, or **8.3 percent** of the total state work force.

According to the DEED report, the total economic impact of Minnesota hospitals in 2009 was 214,108 jobs, \$11.2 billion in wages and salaries, \$15.1 billion in value-added contributions, and a **total economic**

contribution of \$27.2 billion to the state. The total contribution is derived from the sum of the direct, indirect and induced impacts (see table at left). The direct impacts reflect the employment and wage impacts from hospital employment; the indirect impacts represent the employment and wage impacts from inter-industry purchases caused by the industry's direct

Economic Impact of Hospitals

	Direct Effect *	Indirect Effect †	Induced Effect ††	Total Effect
Employment	113,374	35,837	64,897	214,108
Labor Income (billion \$)	\$6.8	\$1.8	\$2.6	\$11.2
Value Added** (billion \$)	\$7.1	\$3.3	\$4.7	\$15.1
Output (billion \$)	\$13.3	\$5.7	\$8.3	\$27.2

* Represents the employment and wage impacts from hospital employment based on MHA data.

† Represents the employment and wage impacts from inter-industry purchases caused by the industry's direct economic activities.

†† Represents the expenditures on goods and services by hospital employees.

** Value-added is a measure of the contribution to the state's economy.

economic activities; and the induced impacts are a measure of the “income effect,” i.e., the expenditures on goods and services by the hospital employees. The analysis was conducted using the Impact analysis for PLANning (IMPLAN), an economic impact modeling system used to create models of local economies.

Retail sales generated by hospitals and their employees contribute to the indirect and induced impacts of the economy. Businesses purchase goods and services from other businesses, and local hospital workers spend their wages on household goods and services. So the impact is spread broadly throughout the economy.

The DEED report, titled “Economic Impact of Minnesota Hospitals by Region in 2009,” offers a look at the economic impact of hospitals by region, as well as the statewide impact. Region 4, which represents the seven-county metropolitan area, and Region 6, representing southeastern Minnesota (including the Mayo Clinic), had the largest concentrations of hospital-related, total-effect employment with 115,702 and 26,978, respectively. They led in total economic output as well.

■ Enhance business, attract residents/retirees, create jobs

In addition to the economic impact figures, a strong hospital and health care system is vital to the economic development of communities. A strong health care system can help attract and maintain businesses and industry, attract and retain residents and retirees, and create jobs.

- Quality of life factors play a key role in attracting and retaining business. Good health care and education services are imperative in attracting new business. Quality health care contributes to the productivity among the local

work force, and prospective businesses and industry desire communities with affordable, quality health care options when considering new locations.

- Similarly, good, affordable health care is essential for retaining current residents and retirees and in attracting new residents to a community. Retirees in particular provide a substantial amount of spending to a community, and health services are a major factor in their selection of where to live after retiring.
- Job creation is one of the strongest and most consistent economic indicators of hospitals in Minnesota and the United States. In the United States, the number of employees has increased each year from 1993 to 2008, according to the Avelare Health Analysis of American Hospital Association Survey data in 2008. And even during the lowest points of the most recent recession from 2007-2009, employment in hospitals either increased or remained constant, while other industries collectively suffered declines. In rural areas, in particular, employment in health-related services often accounts for 10 to 15 percent of total employment, usually representing the second largest employer in a rural community (local government including schools being the largest employer).

The national economic impact of hospitals has shown steady increases over the years. In 1970, Americans spent \$75 billion on health care, accounting for 7.2 percent of the gross domestic product (GDP). In 2008, health care spending increased to about \$2.34 billion, or 16.2 percent of the GDP. If trends continue, Americans are projected to spend 19.3 percent of GDP on health care by 2019.