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Hospitals and West Virginia's Economy

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Coal, chemical, steel and glass: for over a century these industries defined West Virginia's economy. With an ever-growing older population and obesity related diseases, however, the past three decades have seen healthcare morph into an economic mainstay for the Mountain State. Illustrating this trend are newly released rankings from *WORKFORCE West Virginia* showing that 21 of the largest private employers in West Virginia are healthcare providers, 18 of which are hospitals. (See Figure 1.)

Because patient care is their most visible contribution, West Virginia hospitals are often viewed as simply providers of services. Less recognized are the significant connections and contributions that healthcare institutions make within the broader regional economy. Yet, healthcare's economic effects extend far beyond hospital walls. While directly employing a major portion of West Virginia's workforce, the healthcare industry has a significant cumulative impact on the state's economy. According to the U.S. Bureau of Economic Analysis, West Virginia ranks eighth in the country's top 10 states for healthcare employment concentration.

A significant concentration of the employment base in healthcare may be found in West Virginia hospitals, which employ more than 36,000 full-time employees and contribute more than \$1.5 billion in payroll.

"These figures clearly demonstrate that healthcare is a major force in the economy and that hospitals are a catalyst for economic growth and development," said Mike Robbins, Vice President of Financial Policy for the West Virginia Hospital Association.

A recent study by the American Hospital Association, *Beyond Healthcare: The Economic Contribution of Hospitals*, explains how hospitals and healthcare facilities support growth in supplier and service industries. Simply put, hospitals purchase goods and services from other businesses. Lawyers and accountants specializing in healthcare issues, janitorial firms, builders and architects, and electronic manufacturers for medical device companies are just a few of the jobs created and supported by the healthcare industry. The number of jobs created by healthcare worker spending is also noteworthy. Many of the state's jobs in the retail, banking, real estate and restaurant sectors, for example, are directly reliant on healthcare

worker spending. Directly and indirectly, many different kinds of businesses benefit every day from having hospitals as the major employer in their communities.

Hospitals offer a consistent source of job growth even during recessions and create jobs with higher wages that in turn develop and support other economic opportunities. In a sense, hospitals are recession-proof because a community's healthcare needs don't change with the economy. This means that hospitals offer job security in times of economic stress.

Hospitals also create jobs with higher wages that in turn develop and support other economic opportunities. Analysis of the impact of wages and salaries, and the total dollars returned to the community shows there is a significant spillover effect. Statewide, the \$1.5 billion in total annual wages and salaries has the effect of putting an additional \$1.2 billion into the state's economy. In terms of goods and services purchased, hospitals leverage their \$3.1 billion into over \$5.5 billion after it ripples through the economy, affecting other sectors. This ripple effect can be explained as follows:

1. Hospitals purchase goods and services, such as drugs, information technology, foods and linens, from other businesses.
2. Hospital employees spend their paychecks on goods and services, such as groceries, cars, appliances and clothing, produced by other businesses.
3. Wages and salaries paid by hospitals are subject to federal, state and local taxes.

The contributions of hospitals, whether large or small, are clearly fueling the economic engine of healthcare in West Virginia, and national and state statistics exist to back up that claim. According to a recent study by the Association of American Medical Colleges, U.S. teaching hospitals generated more than \$326 billion in economic activity in 2002, and helped to generate \$14.7 billion in state government revenues. Nationwide, teaching hospitals and medical schools are major employers, accounting for 2.7 million jobs directly or indirectly in 2002.

This is well illustrated in West Virginia, where large teaching hospitals and university affiliated academic medical centers are a vital part of the economy. West Virginia's major teaching hospitals – such as Charleston Area Medical Center, West Virginia United Health System, Cabell-Huntington Hospital, and St. Mary's Medical Center – together employ over 13,000 people. These facilities, in particular, paid more than half a billion dollars in payroll and benefits last year. They have a \$3.5 billion effect on the economy, which approximates the size of the state general

revenue budget (based on the ripple effect of a \$1.7 billion cash flow). These major teaching hospitals are also projected to spend over \$550 million during the next five years for equipment, renovations and construction, providing a significant number of construction jobs for the future.

Smaller hospitals also strongly impact rural West Virginia, where communities often struggle to attract and retain college graduates. In these areas, hospitals can provide a source of high-tech job opportunities for young professionals, allowing them to pursue career goals in their own hometown communities. Rural hospitals also offer opportunities for healthcare jobs, such as physicians, pharmacists, lab technologists, and surgeons, which, in the absence of community hospitals, would not exist.

As major contributors to local economies, West Virginia hospitals serve a vital part of the infrastructure needed to support economic development. A strong healthcare network, in which hospitals play a key role, carries enormous benefits, adding to the attractiveness of a community as a place to settle, locate a business or to retire. That's why when businesses are looking at the question of whether to locate in West Virginia, one of the first areas of concern relates to the availability of healthcare services for their employees and their families.

Indications are that healthcare will continue to play a critical role in West Virginia's economy. George Hammond, economist and director of the *West Virginia Economic Outlook Project*, predicts healthcare will continue to grow through 2009 at an annual rate of 1.5 percent. The state's ever-increasing elder population will no doubt contribute to this growth. In fact, the cities of Greater Morgantown, Bluefield and Beckley, as well as Nicholas and Summers counties, already have been named Designated Retirement Communities (DRC). These five West Virginia communities have undergone an application process that ensures they provide the resources and amenities required for DRC status. As *baby boomers* age, families and employers will continue to seek out high quality healthcare and medical services. Throughout, West Virginia hospitals will thrive as they nurture and care for their communities.

Figure 1

*Hospitals in The Top 100 Employers in West Virginia by Rank
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Hospital	Rank
West Virginia University Hospitals/United Hospitals	2
Charleston Area Medical Center	3
St. Mary's Hospital	10
Wheeling Hospital	14
Cabell Huntington Hospital	16
Camden-Clark Memorial Hospital	23
Monongalia General Hospital	33
Thomas Memorial Hospital	35
Weirton Medical Center	36
Raleigh General Hospital	42
Ohio Valley Medical Center	64
St. Joseph's Hospital/Parkersburg	67
Appalachian Regional Healthcare	72
Pleasant Valley Hospital	73
Davis Memorial Hospital	80
Bluefield Regional Medical Center	83
Saint Francis Hospital	84
Logan General Hospital	89

*To obtain a complete copy of the *WORKFORCE West Virginia* rankings, go to www.wvbep.org/scripts/bep/lmi/statetop100.cfm.