

The Inextricable Link Between Healthcare and the West Virginia Economy

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February 2005

Healthcare is a major force in our economy and hospitals are a catalyst for economic development. Nationwide, hospitals employ over 4.8 million people, and rank second as a source of private sector jobs. Contributing more than \$1.3 trillion to the nation's economy, hospitals play a critical role in the maintaining a healthy workforce.

Hospital care makes up the largest component of the health services and supplies sector, which itself is a growing segment of the U.S. economy. According to a recent American Hospital Association (AHA) study, conducted by The Lewin Group, in 2002 this sector represented about 14 percent of the Gross Domestic Product – a measure of economic output – approximately \$1.5 trillion. Hospitals accounted for \$486.5 billion of that. Unlike sectors that lost economic vitality and shed jobs during the recent 2001 recession, the healthcare sector provided an economic mainstay, growing 2.3 percent. Employing nearly five million people and ranking second as a source of private sector jobs, hospitals support one of every nine jobs in the U.S.

If healthcare is an anchor for America's economy, it's a mainstay for the Mountain State. According to the U.S. Bureau of Economic Analysis, West Virginia ranks eighth in the country's top 10 states for healthcare employment concentration. West Virginia hospitals employ more than 36,000 full-time employees, contribute more than \$1 billion in payroll, and are among the top five employers in any county in which they are located. The state's healthcare sector, in total, employs more than 84,000 people and contributes \$2.7 billion in payroll to West Virginia's economy. Of the top 100 private employers in West Virginia, 19 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. Supplier and service industries have grown as a result of support from West Virginia hospitals and healthcare facilities. 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 – averaging \$40,000 annually – 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 \$1.6 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.

Thus, hospitals generate substantial business activity. For every person directly employed in a hospital, 2.1 other jobs are created. In terms of employment, the latest state figures show the healthcare sector ranks first in comparison with manufacturing (68,600 jobs), construction (33,600) and coal (16,200).

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.

In rural West Virginia, 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.

Hospitals, however, are more than economic engines. They are the hubs of the healthcare system, supporting their communities and providing services that range from primary care to acute care to tertiary care to academic medicine. In 2003, West Virginia hospitals treated six million people in their outpatient departments, delivered 20,000 babies, performed nearly a quarter of a million surgeries and cared for 316,000 people as inpatients.

Communities thrive when hospitals thrive. This is because, in addition to caring for the people that live and work in the community, and supporting the economy, hospitals contribute to the community's education system, offering instructional programs that provide entry level as well as advanced training for a wide range of service, technical and professional positions. Hospitals play a special role in serving patients around the clock, regardless of their ability to pay. In 2003, West Virginia hospitals provided \$400 million in uncompensated care, in many cases to at-risk individuals for whom urgent or emergency healthcare services would have not otherwise been available.

"Hospitals are more than a place where you go to get well," said AHA Executive Vice President Rick Pollack. "Hospitals are employers, providing good wages and stimulating other areas of business throughout the community. And hospitals are an integral part of community health – with preventive programs and innovative services. Hospitals truly are the cornerstone of the community."

Hospitals often establish charity care programs for patients with limited finances, or Medicaid services which are not fully reimbursed. Hospitals may also

create special programs – healthcare screenings or health fairs, for example – to meet broader health and social needs. Take Minnie Hamilton Health Center in Grantsville, for instance. Minnie Hamilton is one of 18 critical access hospitals in West Virginia. In its 2004 report to Health and Human Resources Secretary Tommy Thompson, the National Advisory Committee on Rural Health and Human Services recognized the Center as a model rural health program.

“The Minnie Hamilton Health Center,” reads the report, “has made capitol improvements, expanded to offer daycare, ambulance transport, mental and oral health services, school-based health clinics and physical therapy. It operates a 24-bed, long-term care facility that enables Calhoun County seniors to remain in their home community. Altogether, the Center employs 180 individuals, making it the second largest employer in Calhoun County and an important contributor to its economic base.”

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. It is thus important that business leaders and other key decision makers understand the contribution of healthcare to the state’s economy and how governmental healthcare policies impact the private sector employers.

While hospitals play a critical role in protecting the physical and economic health of their communities, they in turn rely on their surrounding communities for continued support. Healthcare providers need business leaders to be strong advocates for well-funded governmental healthcare programs. More importantly, business leaders need to help shape policies that will ensure a viable, stable healthcare system with a predictable source of funding to meet the needs of all West Virginians. Innovative and collaborative approaches are needed to foster healthcare industry growth and to preserve the quality of life in West Virginia.

Looking ahead, statistics indicate that healthcare will continue to impact state economies in the future. This is part due to the baby boom generation approaching its most medically dependent years. Healthcare professions are projected to create about 2.8 million new jobs by 2010 — including 561,000 new RN positions —

according to a recent report by the U.S. Bureau of Labor Statistics (BLS). The healthcare industry will also drive the creation of more than 1 million support jobs this decade. In all, healthcare professionals, technical, and support jobs are expected to grow at a combined rate of 27.9 percent this decade and employ 12.2 million workers. In a separate report on the economy, the BLS said drug spending would increase 8.5 percent annually this decade — greater than the already high 5.3 percent annual growth experienced from 1990-2000 — while spending on medical services would increase 2.7 percent per year.

Although facing cost pressures and increased utilization of outpatient clinics and other alternative care sites, hospitals are still projected to be a major source of job growth. Given the state’s demographics and evolving economic profile, West Virginia hospitals – those dynamic, industrial engines spinning significant connections to the broader regional economy – are likely to continue in their significant role as steady and dependable sources of employment in the economic future of West Virginia.

Figure 1

Hospitals Are 19 of the Top 100 Employers in West Virginia

<u>HOSPITAL</u>	<u>RANK</u>
Charleston Area Medical Center	2
West Virginia University Hospitals	3
St. Mary’s Medical Center	12
Wheeling Hospital	14
Cabell-Huntington Hospital	19
Camden-Clark Memorial Hospital	21
West Virginia University Medical Corporation	27
Thomas Memorial Hospital	28
Monongalia General Hospital	37
Weirton Medical Center	40
Raleigh General Hospital	41
Bluefield Regional Medical Center	50
City Hospital, Inc.	53
Ohio Valley Medical Center	65
St. Joseph’s Hospital, Parkersburg	66
Appalachian Regional Healthcare	75
Saint Francis Hospital	81

Pleasant Valley Hospital	85
The Logan Medical Foundation	87

Source: West Virginia Bureau of Employment Programs as of March 2004