



Illinois Hospitals \$75 Billion Impact on our Economy

How Illinois Hospitals
Support our State's
Economy and
our Communities

2010

*A Special Report Produced by
the Illinois Hospital Association*



Executive Summary



Across Illinois, hospitals provide access to vital health care services 24 hours a day, seven days a week, 365 days a year, serving millions of people. The miracles of medicine and technology make life better for all of us. This record of service will always be a hospital's most valuable contribution.

Less often recognized are hospitals' contributions to their local economies, including the number of people they employ, the impact of hospital purchases, and the impact of their employees' spending.

Illinois hospitals pump \$75.1 billion annually into the state's economy.

Investing in hospitals is an investment in quality of life, people, community, the economy, and the future of Illinois.

Using an economic modeling system developed by the U.S. Department of Commerce, Bureau of Economic Analysis¹, the Illinois Hospital Association (IHA) has estimated the full economic value of hospitals in the state of Illinois. IHA's analysis explains how hospitals enhance the quality of life in our state's communities. It identifies and measures the direct involvement of hospitals in the local economy and demonstrates the 'ripple effect' that hospitals produce, contributing to the overall vitality of economic growth. This report also shows the significance of hospitals as large purchasers of goods and services, and the community benefit they provide to create safe, stable, and healthy communities.

¹ Estimates of the Illinois hospitals' economic benefits were based on the Regional Input-Output Modeling System II (RIMS-II) developed by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA). The Final Demand multipliers, obtained from BEA RIMS-II, were applied to 2008 or 2009 Medicare cost report data of hospital jobs and spending to obtain the "ripple" effect of jobs and spending throughout the economy. Most IHA members validated or updated their cost report information which was included in the database.

IHA's analysis finds that Illinois hospitals generate some \$75.1 billion for the state and local economies each year. Health care and social assistance overall represents 6.8% of the Illinois Gross Domestic Product (GDP)².

In today's fragile economic environment, hospitals are more important than ever to the overall economic health of Illinois and their local communities.



HOW ILLINOIS HOSPITALS SUPPORT OUR STATE'S ECONOMY

Illinois hospitals provide vital health care services to millions of people in hundreds of communities throughout our state. In 2008 they cared for 5.1 million patients in their emergency departments and admitted almost 1.6 million inpatients. They performed more than 1.1 million surgical procedures, delivered more than 174,000 new babies, and had more than 30.7 million outpatient visits.

Illinois residents rely on their local hospitals and health systems to:

- Provide high quality, efficient health care;
- Care for everyone in their communities, whether or not they can pay;
- Ensure safety during an emergency or disaster;
- Bring life into the world and provide comfort at the end of life;
- Educate people about good health and well-being;
- Train the next generation of doctors, nurses and health care professionals; and
- Enhance the quality of life in their communities.

Delivering high quality medical care will always be their most valuable contribution.

² Based on all private industries

Illinois hospitals are an economic mainstay, providing stability and even growth during times of recession.



Helping to Support a Fragile Economy

But the importance of hospitals to Illinois goes far beyond health care. Hospitals are a fundamental building block for the state and local economy. In today's fragile economic environment, hospitals are more important than ever to the overall economic health of Illinois and their local communities.

Illinois hospitals are:

- Direct employers
- Purchasers of supplies
- Investors in capital projects

Coupled with the spending by their employees and suppliers, their total contribution to the Illinois economy is more than \$75.1 billion annually.

An Economic Mainstay

Illinois hospitals are an economic mainstay, providing stability and even growth during times of recession. Illinois hospitals have more than a quarter of a million employees, and pay them \$14.8 billion in wages and benefits. In nearly half of the state's counties they are among the top three employers. These include family-supporting jobs that are critical to surviving and recovering from the economic downturn. Hospitals employ highly skilled doctors, nurses and therapists, as well as workers in environmental and food services. The median hourly salary for hospital workers is higher than that of workers in other health care settings (ambulatory care, long term care), and higher than that of workers in most other service industries³. Hospital jobs generate additional income throughout the state. The salaries paid to these employees are spent in the local economy, creating

³ SOURCE: U.S. Bureau of Labor Statistics, May 2009

another 225,900 jobs and resulting in a total impact of 426,700 Illinois jobs. In 2008/2009, annual spending generated by hospital payrolls resulted in another \$20.7 billion in economic activity, creating a total economic impact of \$35.5 billion from hospital payrolls alone.

These hospitals need goods and services in order to continue delivering high-quality care to Illinoisans. They spent \$13.3 billion on goods and services for patient care. This led to more employment and spending, further generating an additional \$18.7 billion in economic activity, with a total impact of \$32.0 billion.

Illinois hospitals have more than a quarter of a million employees.

The Ripple Effect: Hospital Jobs Create Jobs and Spending throughout the State of Illinois

ILLINOIS HOSPITALS:

RESULTING IN:

Employ 200,800 FTEs / 255,890 Workers



An Additional 225,900 Illinois Jobs



Expend \$14.8 Billion on Payroll



\$20.7 Billion in Salaries in Other Industries



Spend \$16.5 Billion on Capital, Goods and Services







\$23.1 Billion in Other Spending in the State Economy



With these “ripple effects” included, each Illinois hospital job creates an additional 1.1 Illinois jobs, and every dollar that hospitals spend on goods, services and payroll, generates an additional \$1.40 in spending throughout the state.

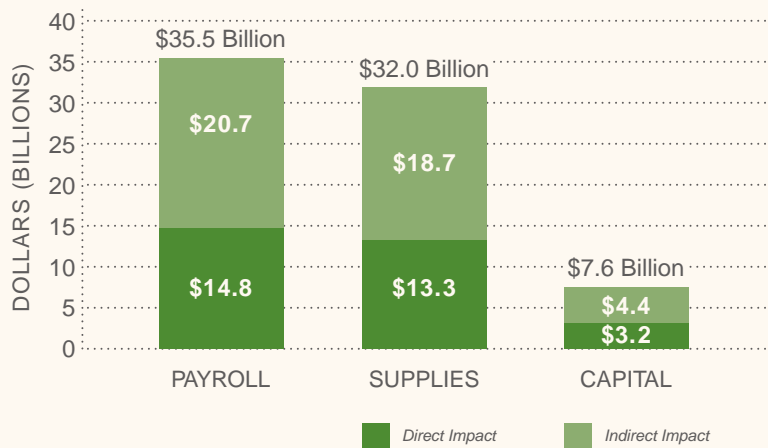
Each Illinois hospital job creates an additional 1.1 Illinois jobs, and every dollar that hospitals spend on goods, services and payroll generates an additional \$1.40 in spending throughout the state.

The Ripple Effect: Every Hospital Job and Every Dollar Produces More Jobs, More Dollars

IN ILLINOIS HOSPITALS, EVERY:	RESULTS IN:
Job 	An additional 1.1 Jobs in Other Industries 
Dollar Spent 	An additional \$1.40 in Spending in the State Economy 

Hospitals also need capital improvements in order to stay on the cutting edge of health care. Illinois hospitals spent \$3.2 billion on buildings and medical equipment, which generated an additional \$4.4 billion with a total impact from capital improvements of \$7.6 billion. Altogether, Illinois hospitals infused more than \$75.1 billion into the economy of the state.

Illinois Hospitals Pump \$75.1 Billion Annually into the State's Economy





The Medicaid program is also a major stimulus to the state economy. In state fiscal year 2010, three-quarters of the Medicaid payments to hospitals were from sources other than general state revenues, including taxes paid by hospitals to the state that amount to \$900 million a year. This allows the state to draw down a federal match, generating billions of federal dollars into the Illinois economy for essential health care services. When health care providers receive Medicaid payments, new rounds of spending are promoted, generating new spending and tax revenues for the state.

With Illinois facing a shortage of health care workers, hospitals are investing in workforce development and retention activities—another way hospitals contribute to the economic base of communities. Illinois has 65 teaching hospitals that train future doctors⁴. Some hospitals offer tuition reimbursement programs, and many partner with local colleges to provide training programs to support nursing and other educational programs.

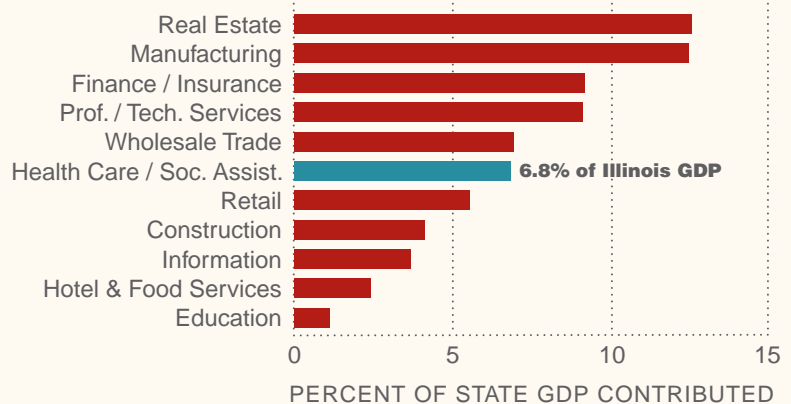
This vast economic activity generated by the health care sector makes it the sixth highest contributor to the Illinois GDP, accounting for 6.8% of the state's economic activity.

⁴ SOURCE: Medicare Cost Report, June 2010 release

Health care and social assistance will be the second fastest growing sector in Illinois in the next eight years.

Moreover, in terms of total jobs gained, health care and social assistance are projected to grow the most—with a total of 149,750 Illinois jobs added by 2018.

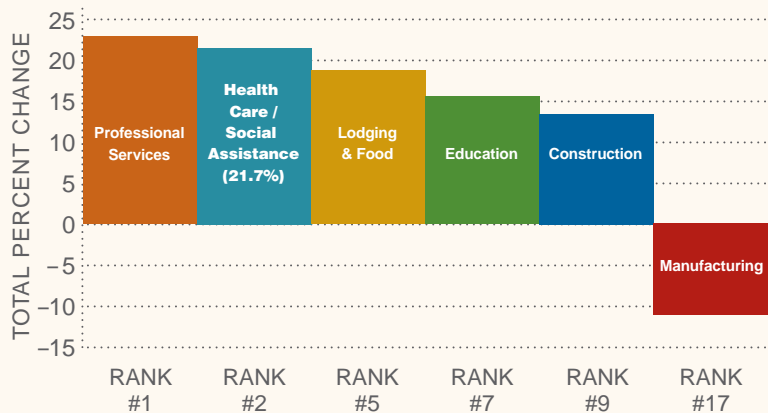
Health Care: A Critical Contributor to Illinois
Productivity [Showing % of state GDP based on all private industries]



SOURCE: U.S. Bureau of Economic Analysis, Regional Economic Accounts, 2008

Moreover, because of our aging society, projections indicate that health care and social assistance is expected to be the second fastest growing sector in the next eight years. In terms of total jobs gained, health care and social assistance is projected to grow the most, with a total of 149,750 Illinois jobs added by 2018.

Projected Employment Growth in Selected Illinois Industries, 2008 to 2018



SOURCE: Illinois Department of Employment Security

A VITAL COMMUNITY BENEFIT

Every year more than 100 Illinois hospitals file annual reports on the benefits they provide to their communities with the Office of the Attorney General.

Charity care in fiscal years ending through September 30, 2009 was nearly \$500 million, an increase of 17% over the year before and an increase of nearly 100% since 2005.

These reports show:

- The monetary value of their contributions, including the cost of the charity care they provide;
- The underpayment for Medicaid and Medicare patients they absorb;
- The unpaid debt of patients unable to pay for their care;
- The cost of subsidizing medical services that bring a financial loss, such as emergency and trauma care;
- The unreimbursed cost of training the next generation of doctors, nurses, and other highly-skilled health care professionals;
- Research not covered by grants;
- Free language assistance;
- Donations of meeting space and volunteer time; and
- Free programs addressing community health needs, such as immunizations, nutrition education, support groups, screenings, parenting counseling, and transportation.

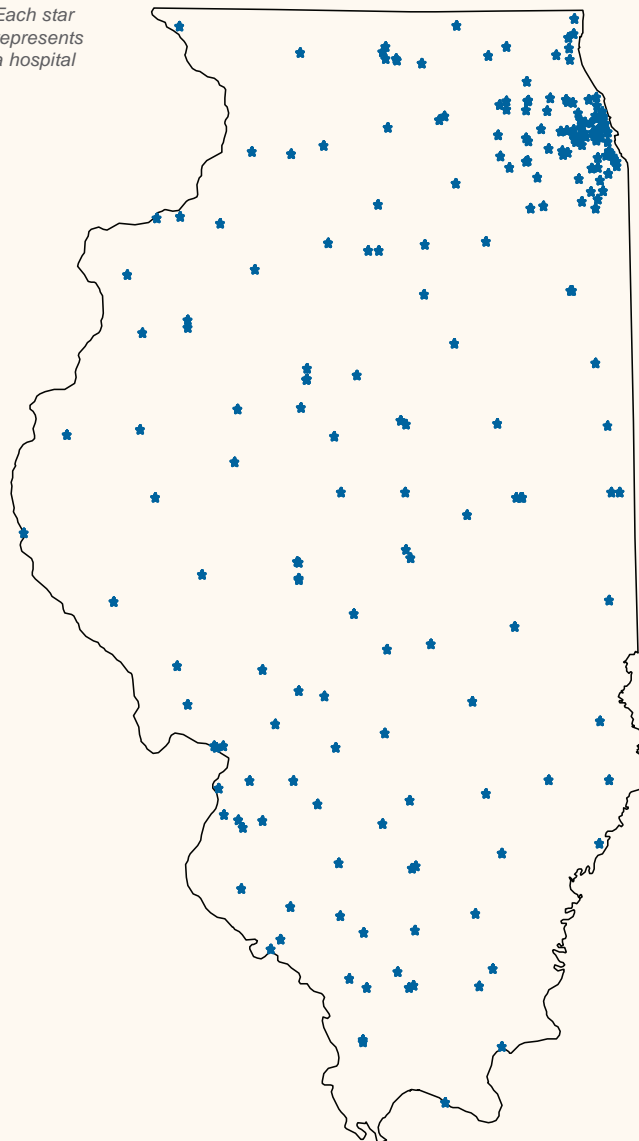
The charity care provided by the 109 reporting hospitals in the fiscal years ending through September 30, 2009 was nearly \$500 million, an increase of 17% over the year before and an increase of nearly 100% since 2005. Overall community benefits were more than \$4.86 billion, an increase of more than 4% over the previous year and an increase of more than 32% since 2005.

Overall community benefits were more than \$4.86 billion, an increase of more than 4% over the previous year and an increase of more than 32% since 2005.

But the wide range of benefits that Illinois hospitals provide to their communities goes well beyond these numbers. They include innovative programs designed to meet specific needs of their communities, ranging from day care for sick kids to literacy programs, from financial counseling for seniors to psychological counseling for victims of abuse—all created to improve the overall quality of life of the community.

Illinois Hospitals: Economic Drivers throughout the State

★ Each star represents a hospital





To continue to attract businesses, create jobs, and maintain community health, it is critical that Illinois has strong, adequately funded health care providers.

Just as lives depend on our hospitals, our hospitals depend on the support of government and the public.

CONCLUSION

The public's need and expectations for reliable hospital and health care services will continue to grow as baby boomers age and as families and businesses seek high-quality health care and medical services; up-to-date technology; and competent and compassionate caregivers.

Hospitals are economic engines to their communities not only because of the jobs they provide, but because accessible health care is necessary for public confidence and safety. Hospitals provide the human touch that reassures families and strengthens the infrastructures of local communities.

The Illinois Hospital Association's analysis provides strong evidence of the significant economic impact of hospitals on their state and local communities. To continue to attract business, create jobs, and maintain community health, it is critical that Illinois has strong, adequately funded health care providers.

Just as lives depend on our hospitals, our hospitals depend on the support of government and the public.

We urge our legislators, members of Congress, and community leaders to acknowledge that Illinois hospitals are key to the state and local economy, and to take steps to continue to invest in the state's health care system.



Illinois Hospital Association

1151 East Warrenville Road
Naperville, Illinois 60566
630.276.5400
www.ihatoday.org

NAPERVILLE • SPRINGFIELD • WASHINGTON, D.C.