Georgia Hospital Association
Economic Impact Report

Over 150,500
Jobs in Georgia Hospitals

Over $49 Billion
Impact on Economy

GHA
Georgia Hospital Association
Economic Impact Report  
Executive Summary

Georgia hospitals are direct employers; purchasers of equipment, supplies and services; and investors in capital projects. Georgia hospitals play a vital role in the economic activity of the communities they serve and have a significant economic impact on local areas as well as the entire state. This impact, detailed in the attached Economic Impact Report, arises directly from the sales, wages and employment generated by business activity. It also arises indirectly from the “ripple” effect of businesses purchasing goods and services from other local businesses, and from health care workers spending wages and other income for household goods and services. These linkages tend to distribute the impact of an activity or event very broadly through the economy.

As part of their education of the public and stakeholders, hospitals can use this report in community relations efforts and in their work with local elected officials. A report is provided for each individual hospital, the state as a whole, and both the Metropolitan Statistical Area and the Congressional district where the hospital is located. Health systems also receive a consolidated report of the economic impact of all their hospitals.

Nationwide, hospital care is the largest component of the health care sector, which itself is a growing segment of the U.S. economy. In 2016, the health care sector represented 17.9 percent of Gross Domestic Product (GDP)—a measure of economic output—or approximately $3.3 trillion. Hospitals accounted for $1.1 trillion of that total.

This report is divided into two sections. Section I summarizes the estimated economic impact of the hospital. Section II contains selected information about the actual cost to the hospital of community benefits provided in the form of indigent care, charity care, bad debt expense, and other free care as reported in the 2016 Georgia Department of Community Health Hospital Financial Survey.

- The enclosed Economic Impact Report shows that hospitals in Georgia provided more than $1.8 billion in uncompensated costs to provide indigent, charity, other free care, and bad debt expense to the citizens of Georgia.

These numbers are reported as actual costs to the hospital. Actual cost is reported to avoid overstating the true level of community benefit provided. For example, to calculate the cost of indigent care provided, the amount of indigent care charges reported on the 2016 DCH Division of Health Planning Annual Hospital Financial Survey is multiplied by the hospital cost-to-charge ratio, also reported on the 2016 Division of Health Planning Annual Hospital Financial Survey. The Hospital Payroll and Benefits data was gathered from the most current available Medicare Cost Report Data for the applicable year.

The information in this report is based on a study prepared by the American Hospital Association in 2006—“Beyond Health Care: The Economic Contributions of Hospitals” (updated February 2014), and updated with the most currently available Regional Input-Output Modeling System (RIMS II) economic multipliers for hospitals and nursing and residential care facilities. These RIMS II economic multipliers are developed by the Bureau of Economic Analysis, United States Department of Commerce. The economic multipliers attempt to model the resulting impact of a change in autonomous spending in one industry on the “circular flow” of spending within an economy as a whole. An increase in demand for health care services will elicit increases that support health care, as well as its ancillary industries. These
multipliers have been applied to individual hospital expenditures to create a report that estimates the economic impact of individual hospitals.

Individual hospital expenditure data was obtained from the 2016 Georgia Department of Community Health Division of Health Planning Annual Hospital Financial Survey. [Note: This is the most recent data currently available from the Department of Community Health.] It should be emphasized that this report reflects the economic impact of only hospital expenditures. It does not include the impact of other services provided by a health care system, such as home health, skilled nursing facilities, affiliated clinics, physician practices, etc. The economic impact of an entire health care system can be estimated by taking the consolidated health system expenditures and multiplying it by the economic multipliers provided in the report.

GHA reviews the reasonableness of the hospital data provided by the Division of Health Planning Hospital Financial Survey; however, data entry errors can occur. If you believe there are differences in the numbers in your Economic Impact Report and the numbers submitted to the Division of Health Planning, please contact Bill Wylie, Senior Vice President, Business Operations at GHA to obtain a corrected report. 770-249-4512 bwylie@gha.org.

Georgia hospitals are a fundamental building block for the state’s economy. In many communities, hospitals are among the largest employers and most significant creators and sustainers of jobs and income. In Georgia, hospitals provide more than 150,500 full time jobs and have a total payroll of nearly $9.8 billion annually. The methodology for calculating the total number of Georgia hospital employees has been updated to reflect the DCH Annual Hospital Financial Survey report for budgeted Full Time Equivalents (FTEs). FTEs do not directly correlate to total employed since multiple people could fill the role of 1 FTE. Therefore, it is safe to say that hospitals provide direct employment to well over 150,500 people.

In addition, hospitals often outsource the management and personnel responsibilities for significant support areas such as dietary, housekeeping, pharmacy and physician coverage. These people are still essential to operations and are employed due to the services provided by the hospital. However, since they are not on the hospital payroll, their employment isn’t reflected in the total jobs reported or accounted for in the multiplier effect.

Health care is a significant force that contributes to the economic stability and growth across all regions of the state. Hospitals often serve as an integral part of the overall package used to attract industry to the community. A strong health care system can help attract and maintain business and industry growth, attract and retain retirees, and create jobs in the local area. In addition, hospitals serve as the foundation that supports a variety of other health care services including physician practices, long-term care providers, home health agencies, rehab providers.

Georgia hospitals play a key role in the economic development and growth in the State of Georgia. Therefore, it is especially important that policymakers, legislators, and business leaders clearly understand the implications of the decisions they make that impact hospitals. GHA hopes that you will find the information in this report useful as you work with local legislators, policymakers, and the community you serve. Many Georgia residents, particularly the poor and elderly in rural areas of the state, may have difficulty accessing hospital services unless legislators understand the important role hospitals play in the local economy and make the financial stability of hospitals a budget priority.
If you have any questions about the report, please contact Bill Wylie, GHA Senior Vice President, Business Operations bwylie@gha.org, or Erin Stewart, Director, Digital Media and Marketing estewart@gha.org.

Sources:

- AHA: Trendwatch Chartbook 2015, The Economic Contribution of Hospitals
- CMS, National Health Expenditure Accounts 2016 data
- RIMS-II Multipliers, Total Multipliers for Output, Earnings, Employment, and Value Added by State, Hospitals and Nursing and Residential Care Facilities, Bureau of Economic Analysis, United States Department of Commerce
- 2015 Annual Hospital Financial Survey, Division of Health Planning, Department of Community Health
- Hospital Medicare Cost Report Data
- Georgia Hospital Association Membership Directory

Technical Note:
GHA obtains the hospital payroll and benefits data for the Economic Impact Reports from the Medicare Cost Report database. The data for hospital and payroll benefits is taken from the following locations in the Medicare Cost Report file:

Worksheet S-3, Part II: Hospital Wage Index Information—Column 3, Line 1—Total Salaries
Worksheet A: Total Facility Costs—Column 7, Line 5—Employee Benefits—Net Expense for Allocation

If there is no data in Worksheet S-3, Part II: Column 3, Line 1—Total Salaries, we next check to see if there is any data regarding payroll in Worksheet A: Total Facility Costs—Column 1, Line 101—Salary Expense.

If there is not any data in Worksheet A, Column 1, Line 101, we enter N/A in the Economic Impact Report. If a hospital has N/A in their Economic Impact report, they can contact GHA with their payroll and benefits data and we will create a revised Economic Impact Report for them.

Data taken from the Centers for Medicare and Medicaid Services (CMS) Medicare Cost Report are as reported by the hospital. The HCRIS database is updated by CMS quarterly and changes from one quarter to another quarter are common due to cost report audits, provider appeals, reopening of cost reports, submission of revised data by providers, etc. For the Economic Impact Report, GHA uses the most current data available for a hospital at the time the Economic Impact Reports are generated.
### SECTION I: Economic Impact of Hospital

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Direct Expenditure</td>
<td>$21,328,777,931</td>
</tr>
<tr>
<td>Georgia Output Multiplier ¹</td>
<td>2.3007</td>
</tr>
<tr>
<td><strong>Total Output/Income Generated</strong></td>
<td>$49,071,119,386</td>
</tr>
<tr>
<td>Hospital Payroll and Benefits</td>
<td>$9,792,607,558</td>
</tr>
<tr>
<td>Georgia Earnings Multiplier²</td>
<td>1.9476</td>
</tr>
<tr>
<td><strong>Total Household Earnings Generated</strong></td>
<td>$19,072,082,480</td>
</tr>
<tr>
<td>Number of Hospital Jobs (Full Time)</td>
<td>150,700</td>
</tr>
<tr>
<td>Georgia Employment Multiplier³</td>
<td>2.4316</td>
</tr>
<tr>
<td><strong>Georgia Full Time Jobs Created⁴</strong></td>
<td>366,441</td>
</tr>
</tbody>
</table>

### SECTION II: Community Benefit

These numbers represent the actual cost⁵ incurred by the hospital

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uncompensated Indigent Care Provided</td>
<td>$492,488,660</td>
</tr>
<tr>
<td>Uncompensated Charity Care Provided</td>
<td>$334,032,720</td>
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<tr>
<td>Uncompensated Bad Debt Incurred on Health Care Services Provided</td>
<td>$774,972,737</td>
</tr>
<tr>
<td>Other Free Uncompensated Care</td>
<td>$235,479,745</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td>$1,836,973,862</td>
</tr>
</tbody>
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1. **Georgia Output Multiplier** - Estimates the change in output for a given change in demand. For example, an increase in healthcare demand of $1,000,000 increases the output of all Georgia industries by 2.3x $1,000,000 = $2,300,000 after all “rounds” of spending are totaled. 2. **Georgia Earnings Multiplier** - Increased demand for healthcare also increases demand for healthcare labor, and increases labor demand in peripheral and supporting industries, resulting in increased wages paid. 3. **Georgia Employment Multiplier** - Estimates of the number of all full time jobs that regional industries provide in order for the healthcare industry to provide the additional $1,000,000 of output to final demand. 4. **Georgia full-time jobs created** - This number does not include the number of people directly employed by the hospital. 5. **Note**—these numbers are reported at cost—not reported charges. Actual cost was calculated by multiplying reported charges by the hospital cost-to-charge ratio.

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