

The Economic Impact of Louisiana's Health Care Sector



Louisiana's health care sector constitutes a group of industries that provide comprehensive primary and preventive health care and social services to individuals and families. In addition to providing critically needed health care services, Louisiana's health care sector represents **powerful "economic engines"** whose business operations significantly impact its communities' economies.

The Louisiana Health Care Sector

- ◆ provides **direct employment** for people in the communities, including critical entry-level jobs, training, and career building opportunities that are community-based. In 2007, these sectors represented 214,319 employed workers with a **total impact of 330,946 jobs**.
- ◆ **purchases goods and services** throughout the state, thereby stimulating local economies through an infusion of health center spending. With \$9,816,087,000 in operating expenditures and profits from these sectors in 2007, **the total financial impact was \$13,776,479,000**.
- ◆ further **stimulates local economies** through the indirect expenditures of related sectors and the induced expenditures of new household income generated by the direct and indirect effects.
- ◆ engages in capital development projects, often **acting as a catalyst for significant economic revitalization** within communities by attracting investment and other businesses to the state.

Health Care Industry	Employees	Total Impact	Income (in millions)	Total Impact (in millions)
Retail – Health and Personal Care	17,731	24,537.9	\$567.977	\$807.0390
Offices of Physicians, Dentists and Other Professionals	58,487	98,626.6	\$3,767.236	\$5,144.1610
Home Health Care Services	21,122	28,428.1	\$727.666	\$970.5610
Medical/Diagnostic Labs, Outpatient and Other Ambulatory Care Services	14,559	24,431.5	\$661.162	\$1,008.9330
Private Hospitals	60,496	102,601.2	\$3,054.561	\$4,462.7140
Nursing/Residential Care Facilities	41,924	52,321.2	\$1,037.485	\$1,383.0710
TOTAL	214,319	330,946.5	\$9,816.087	\$13,776.479

The above economic impact analysis clearly demonstrates that as a result of the combined effect of its multiple roles as service providers, employers, and local businesses, the health care sector has a significant community and economic development role.

To invest in the Louisiana Health Care Sector is to invest in the economic development of its communities, region, and state.

Prepared by Capital Link with MIG, Inc. IMPLAN Software Pro version 2.0.1025, 2007 structural matrices and the 2007 state-specific multipliers.

Economic Impact Definition of Terms

This analysis uses the “multiplier effect”—and more specifically a complete integrated economic planning tool called IMPLAN (IMPact analysis for PLANning)—to capture the indirect business effects of the health sector’s business operations. IMPLAN was developed by the US Department of Agriculture and the Minnesota IMPLAN Group (MIG) and employs multipliers, specific to each state and parish and each industrial sector, to determine total output, employment, and earnings.

Output Multiplier: measures the increase in total output generated in a defined regional economy for each dollar spent by a given industry. For example, if the multiplier for health care services is 2 then every dollar spent within the health care sector would create \$2 in economic activity in the local community.

Value-added (Earnings) Multiplier: measures the earnings (purchasing power) that an industry generates, through payroll and the multiplier effect, for households employed by all industries within a defined area. Consequently, the Value-Added impact represents the amount of dollars that aggregate households in a given area will gain in household income based on the dollars put out into that community by the health center sector through operating expenditures.

Employment Multiplier: measures the number of jobs generated across all industries by the activity within a given industry. The multiplier produces an estimate of the total number of new jobs that a local economy can support in all industries due to the dollars being injected into the community by the health care sector. In other words, the economic activity of the health care sector stimulates job growth because of the "snowballing" of the dollars expended.

IMPLAN’s output, earnings, and employment figures are aggregated based on direct, indirect and induced economic effects:

Direct effects: represents the response for a given industry (Total Operating Expenditures of the health care sector).

Indirect effects: represents the response by all local industries caused by “the iteration of industries purchasing.”

Induced effects: represents the response by all local industries to the expenditures of new household income generated by the direct and indirect effects.

Within the field of economics, the multiplier effect is used to determine the impact of each dollar entering, impacting and eventually leaving a defined economy (i.e. “dollar turnover”). This results in increased production and expenditures, employment creation and attraction, and retention of new residents, businesses and investments. The multiplier is factored in to estimate the spin-off activity from the expenditures of the health care sector in providing health care services.