

## VII. NASHVILLE HEALTH CARE COUNCIL MEMBER COMPANIES

### VII.1. Survey Methodology

The Nashville Health Care Council's (NHCC) member companies are diverse, ranging from direct health care providers and health care management, health information technology, and health care finance companies to such professional service providers as law and architecture firms. BEREC's survey asked companies to report their health care-related employment, sales, office space, federal research money, payroll, and operating sites, both in Nashville and overall. Furthermore, the survey also included a *CEO Confidence Survey*, highlighting member company CEOs' evaluation of current economic conditions and business outlook. The survey materials are provided in the appendix.

Because the NHCC member companies represent a diverse group, they differ from the previous two classifications of the health care industry presented in this report: core health care providers and health care industry cluster. Core health care providers narrowly define the sector and include only companies providing direct services to individuals. Health care industry cluster includes health care providers plus companies directly linked to the core providers sector. NHCC member companies are more diverse than the previous two classifications in terms of the industry segment. Readers should review this study with these salient differences between the three groups in mind.

As of November 2009, NHCC had 170 member companies, a 53 percent increase from the 2005 study. BEREC conducted an online survey of NHCC member companies with follow-up reminders from NHCC. The survey included three parts: (A) company profile, (B) company operations, and (C) *CEO Confidence Survey*. A total of 149 member companies were invited to fill out the survey. Twenty-one companies were excluded since they did not have an employment base in the Nashville MSA. Consequently, 65 companies responded to parts A and B of the survey for a response rate of 44 percent. BEREC estimated the missing company figures using company databases (e.g., ReferenceUSA, LexisNexis Academic Universe), individual member company websites, and other BEREC sources. Through these methods of extrapolation, BEREC prepared profiles for 149 member companies.



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 NHCC Member Survey: Survey Responses for Part A (Company Profile) and Part B (Company Operation)
 

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NHCC Member Segments	Number of Companies	Percent of Companies (%)	Explanation
NHCC Member Companies Surveyed	149	88	Members Surveyed
<i>Number of Responses</i>	65	44	Survey Response Rate
<i>Company Profile Completed</i>	84	56	Percent not Responded
NHCC Members w/o Nashville Presence	21	12	Percent not Surveyed
Total Member Companies	170	100	

The response rate for the *CEO Confidence Survey* was slightly better than for previous sections: BERCC received responses from 70 businesses for a response rate of 47 percent. The *CEO Confidence Survey* was designed to include certain elements from the business confidence survey conducted quarterly by the Conference Board<sup>1</sup> and the business outlook survey conducted monthly by the Federal Reserve Bank of Philadelphia.<sup>2</sup>

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 NHCC Member Survey: Survey Responses for Part C (CEO Confidence Survey)
 

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NHCC Member Segments	Number of Companies	Percent of Companies (%)	Explanation
NHCC Member Companies Surveyed	149	88	Members Surveyed
<i>Number of Responses</i>	70	47	Survey Response Rate
<i>Companies with no Response</i>	79	53	Percent not Responded
NHCC Members w/o Nashville Presence	21	12	Percent not Surveyed
Total Member Companies	170	100	

## VII.2. NHCC Member Companies—Employment and Wages

**Operating at 217 Nashville sites, NHCC member companies employ nearly 70,000 people in the Nashville MSA, up 69.8 percent from 2005. The total Nashville-based payroll is \$4.9 billion, up 36 percent from 2005. The average payroll per employee is \$70,015, substantially higher than the average nonfarm wage in the Nashville MSA.** According to Bureau of Economic Analysis ([www.bea.gov](http://www.bea.gov)) figures, the average annual wage in the Nashville MSA in 2008 was

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<sup>1</sup> For more information, see [www.conference-board.org](http://www.conference-board.org).

<sup>2</sup> [www.philadelphiafed.org](http://www.philadelphiafed.org).

\$39,280. Considering the difference, NHCC member companies command substantial purchasing power in the Nashville MSA, which has profound implications for the local tax base.

Many NHCC member companies are large corporate headquarters and health care management companies that employ highly skilled individuals who are experts in their respective fields. As previously discussed, these are some of the benefits that corporate headquarters bring to a region.

This survey was not designed to address corporate citizenship of NHCC member companies. However, many studies highlight the role of corporate citizenship in a community. Large companies, especially in health care, traditionally make substantial contributions to local charities, civic organizations, local governments, and individuals through direct cash donations, volunteer time, matching employee donations, in-kind contributions, and charity care.

More than one-third of NHCC member companies employ less than 20 people in the Nashville MSA. A handful of large member companies account for more than 60 percent of NHCC members' local employment. Sixty-one member companies reported total global employment of 374,111 for the period between November 10, 2009, and January 15, 2010.

**Please estimate the current number of employees (by place of work).**

If your business is a branch operation and your headquarter company is located outside the Nashville MSA, please report only your Nashville MSA employment.

<b>Nashville MSA</b>	<b>Responses</b>	<b>Nashville Employment</b>	<b>Global</b>	<b>Responses</b>	<b>Global Employment</b>
(All Companies)			(Headquarters Only)		(Headquarters Only)
a. 1-20	50	1,000	a. 1-20	11	220
b. 21-40	18	720	b. 21-40	4	160
c. 41-60	8	480	c. 41-60	0	0
d. 61-100	13	1,300	d. 61-100	5	500
e. 101-250	28	7,000	e. 101-250	5	1,250
f. 251-500	16	8,000	f. 251-500	6	3,000
g. 501-999	9	8,991	g. 501-999	8	7,992
h. 1,000 or more	7	42,494	h. 1,000 or more	22	360,989
<b>Total</b>	<b>149</b>	<b>69,985</b>		<b>61</b>	<b>374,111</b>



Not all of these jobs, however, are related to health care. As the table below shows, for more than 36 percent of the NHCC member companies, health care is not their core business, as fewer than 30 percent of their employees are related to health care.

**What percent of your total number of employees is *health care-related* (by place of work)?**

For example, if your business is an information technology services company and has a diverse set of business clients, your health care-related employees may be estimated by using the following ratio:

Health Care-Related Employees = (Health Care IT Revenues, or Business Clients) / (Total Revenues, or Business Clients)

Nashville MSA (All Companies)	Responses	Percent	Global (Headquarters Only)	Responses	Percent
a. 1%- 15%	35	24	a. 1%- 15%	7	17
b. 16%-30%	17	12	b. 16%-30%	4	9
c. 31%-45%	6	4	c. 31%-45%	1	2
d. 46%-60%	5	3	d. 46%-60%	1	2
e. 61%-75%	5	3	e. 61%-75%	0	0
f. 76%-90%	2	1	f. 76%-90%	1	2
g. 91%-100%	77	53	g. 91%-100%	29	68
Total Reporting	147	100		43	100
<b>Total Health Care-Related Employment in Nashville MSA</b>				<b>64,226</b>	
<b>Total Health Care-Related Employment across Countries</b>				<b>261,645</b>	

Taking into account health care-related share of their employment, NHCC member companies have more than 64,000 health care-related employees in the Nashville MSA and nearly 262,000 globally.

NHCC member companies reported a total of \$4.9 billion in wages and salaries in the Nashville MSA. More than 62 percent of the companies have an annual payroll of less than \$10 million.

**Please estimate total annualized payroll for *all operations* (by place of work).**

If your business is a branch operation and your headquarter company is located outside the Nashville MSA, please report only your Nashville MSA payroll.

Nashville MSA	Responses	Percent of Companies	Total Payroll (Million \$)
a. Less than \$1 million	29	20	\$29
b. \$1.1-\$2 million	24	16	\$48
c. \$2.1-\$5 million	25	17	\$125
d. \$5.1-\$10 million	15	10	\$150
e. \$10.1-\$25 million	30	20	\$750
f. \$25.1-\$50 million	11	7	\$550
g. \$50.1-\$100 million	10	7	\$1,000
h. \$100.1 million and more	4	3	\$2,250
Total Responses	148	100	\$4,902



NHCC member companies reported \$4.04 billion in wages and salaries related to health care in the region. Average payroll for their health care-related operations is \$62,945, about 60 percent higher than the average nonfarm wage in the Nashville MSA. Similar to their health care-related employment figures, about 52 percent of the member companies indicated that their health care-related payroll represents less than 30 percent of their annual payroll.

**What percent of your annualized payroll is for health care-related employees (by place of work)?**

For example, if your business is an information technology services company and has a diverse set of business clients, your health care-related payroll may be estimated by using the following ratio:

Health Care-Related Payroll = (Health Care IT Revenues, or Business Clients) / (Total Revenues, or Business Clients)

Nashville MSA	Responses	Percent of Companies
a. 1%- 15%	36	24
b. 16%-30%	17	11
c. 31%-45%	5	4
d. 46%-60%	7	5
e. 61%-75%	4	3
f. 76%-90%	2	1
g. 91%-100%	77	52
Total Responses	148	100

**Total Health Care-Related Payroll in Nashville MSA** **\$4,042,715,000**

### VII.3. NHCC Members: Office Space and Revenues

**NHCC member companies occupy more than 11 million square feet of office space in the Nashville MSA, of which 8.4 million are health care-related.** This study does not differentiate between the different types of commercial spaces NHCC member companies occupy. The 11 million square feet could be in any combination of retail, office, industrial, or medical office space.<sup>3</sup> As of the second quarter of 2009, office and industrial space in the Nashville MSA is estimated at around 189 million square feet.<sup>4</sup> NHCC member companies occupy about 6 percent of office and industrial space in the Nashville MSA.

<sup>3</sup> For a review of the Nashville office market, see quarterly reports at [www.colliers.com/Markets/Nashville](http://www.colliers.com/Markets/Nashville) and [www.cbre.com/USA/Research/Market+Reports/Local+Reports+Worldwide/globalresearch.htm](http://www.cbre.com/USA/Research/Market+Reports/Local+Reports+Worldwide/globalresearch.htm).

<sup>4</sup> See CB Richard Ellis MarketView reports for Nashville at [www.cbre.com/USA/Research/Market+Reports/Local+Reports+Worldwide/globalresearch.htm](http://www.cbre.com/USA/Research/Market+Reports/Local+Reports+Worldwide/globalresearch.htm).



Total Nashville-based sales of NHCC member companies are estimated at around \$37.8 billion, more than double the reported amount of \$17 billion in 2005. Total global revenues of these member companies are estimated at around \$131 billion. Nearly half of the companies reported annual revenue of less than \$10 million.

Please estimate your company's annual gross revenues by site location. If there is more than one site in a location, please include all.

If your business is a branch operation and your headquarter company is located outside the Nashville MSA, please report only your Nashville MSA revenues.

Nashville MSA			Global		
	Responses	Nashville Revenue (Million)		Responses	Global Revenue (Million)
a. Less than \$1 million	14	\$14	a. Less than \$1 million	6	\$6
b. \$1-\$5 million	32	\$160	b. \$1-\$5 million	9	\$45
c. \$6-\$10 million	21	\$210	c. \$6-\$10 million	5	\$50
d. \$11-\$25 million	22	\$550	d. \$11-\$25 million	3	\$75
e. \$26-\$50 million	16	\$800	e. \$26-\$50 million	6	\$300
f. \$51-\$100 million	18	\$1,800	f. \$51-\$100 million	4	\$400
g. \$101-\$250 million	7	\$1,750	g. \$101-\$250 million	6	\$1,500
h. \$251-\$500 million	1	\$500	h. \$251-\$500 million	3	\$1,500
i. \$0.501-\$1 billion	4	\$2,000	i. \$0.501-\$1 billion	4	\$4,000
j. More than \$1.1 billion	9	\$30,000	j. More than \$1.1 billion	10	\$123,000
<b>Total</b>	<b>144</b>	<b>\$37,784</b>		<b>56</b>	<b>\$130,876</b>

Nashville-based health care-related revenues of NHCC member companies are estimated at \$27.8 billion. Globally, their health care-related revenues are \$106.9 billion. For 35 percent of reporting companies, health care-related revenues account for less than 30 percent of their total revenues. As part of the survey, BERCC also included a question regarding the level of federal research and development grants for scientific and clinical purposes. A total of 54 companies reported \$551.4 million in federal research and development, an increase of 106.5 percent from 2005.

What percent of your company's annual gross revenue is from your health care-related operations?

For example, if your business is an information technology services company and has a diverse set of business clients, your health care-related gross revenues may be estimated by using the following ratio:

Health Care-Related Revenues = (Health Care IT Employees, or Business Clients) / (Total Employees, or Business Clients)

Nashville MSA			Global		
	Responses	Percent of Companies		Responses	Percent of Companies
a. 1%- 15%	32	23	a. 1%- 15%	5	10
b. 16%-30%	17	12	b. 16%-30%	5	10
c. 31%-45%	4	3	c. 31%-45%	2	1
d. 46%-60%	4	3	d. 46%-60%	2	1
e. 61%-75%	7	5	e. 61%-75%	0	0
f. 76%-90%	2	1	f. 76%-90%	1	2
g. 91%-100%	75	53	g. 91%-100%	35	76
<b>Total Responses</b>	<b>141</b>	<b>100</b>		<b>50</b>	<b>100</b>

**Health Care-Related Gross Revenue (Nashville MSA)**

**\$27.58 Billion**

**Health Care-Related Gross Revenue (Global)**

**\$106.94 Billion**



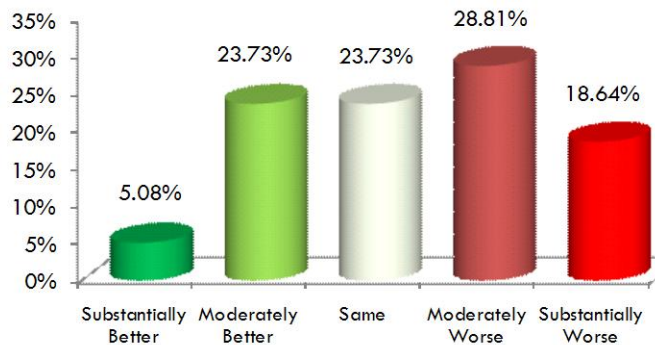
#### VII.4. NHCC Members: CEO Confidence Survey

BERC surveyed 149 NHCC member companies regarding their perspective on past, current, and future economic conditions in general and national and local health care in particular. A total of 70 CEOs from member companies responded to this section of the survey for a response rate of 47 percent. The survey took place between November 10, 2009, and January 10, 2010.

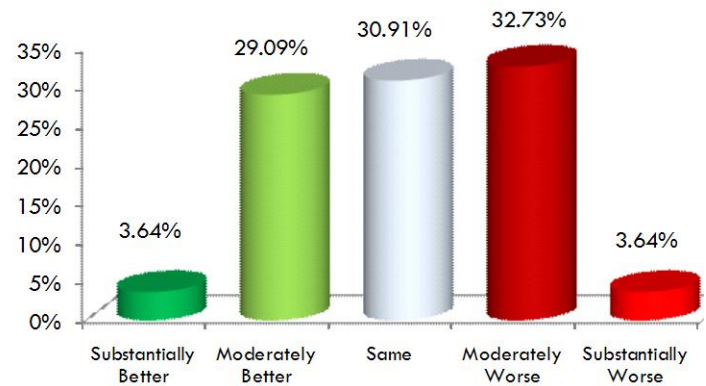
##### *Compared to a year ago, current economic conditions in general (2009 compared to 2008)*

According to member CEOs, the Nashville MSA is doing better than the nation. Current economic conditions are better for Nashville for 33 percent of CEOs versus 29 percent for the nation. Nearly half of the CEOs reported current economic conditions for the nation are worse than a year ago, compared to 36 percent indicating the same for Nashville.

**C1. Compared to 12 months ago, how would you evaluate general current economic conditions in the U.S.?**



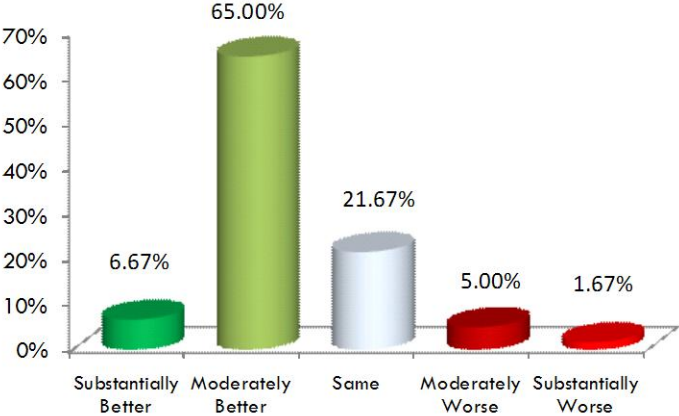
**C1. Compared to 12 months ago, how would you evaluate general current economic conditions in the Nashville MSA?**



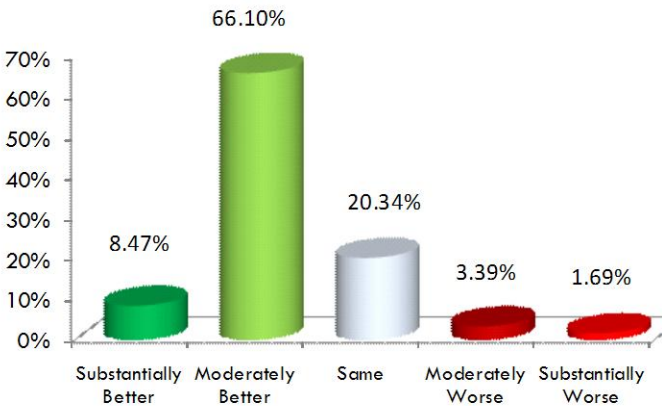
**Expectations for overall economic conditions for the next year (2010)**

NHCC member CEOs are slightly more hopeful about the Nashville MSA economy than about the U.S. economy. Nearly 75 percent of the CEOs expect the Nashville area economy to be better in 2010. About 72 percent have the same expectations for the U.S. economy.

**C2. Looking forward to 12 months from now, what is your expectation for the U.S. economy?**



**C2. Looking forward to 12 months from now, what is your expectation for the Nashville MSA economy?**

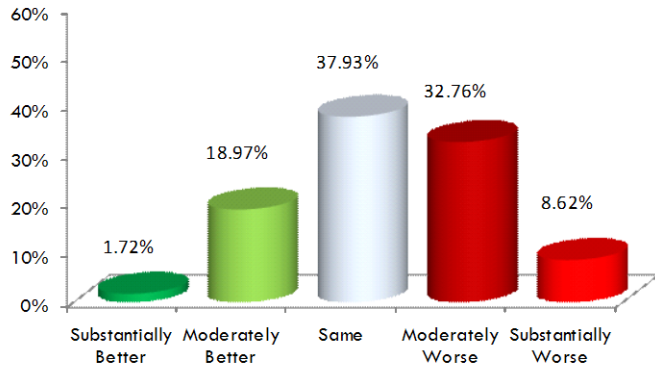




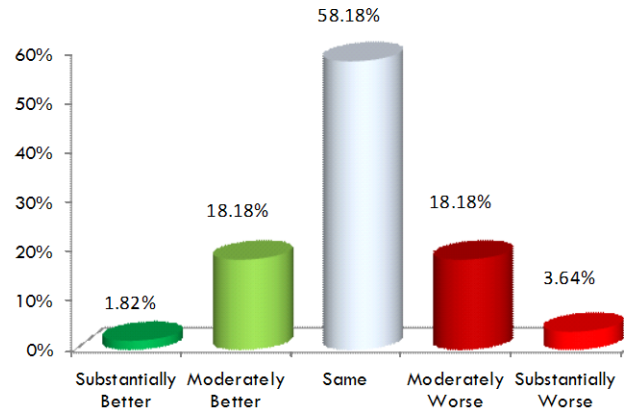
**Compared to a year ago, current conditions for health care industry and their own companies (2009 compared to 2008)**

NHCC member CEOs see their companies better positioned than the national and local health care industry in general.

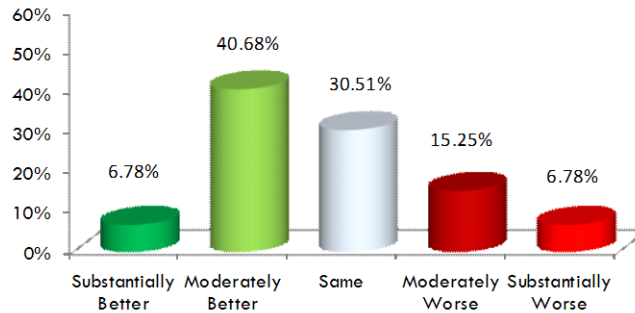
**C1a. Compared to 12 months ago, how would you evaluate current conditions in the health care industry in the U.S.?**



**C1a. Compared to 12 months ago, how would you evaluate current conditions in the health care industry in the Nashville MSA?**



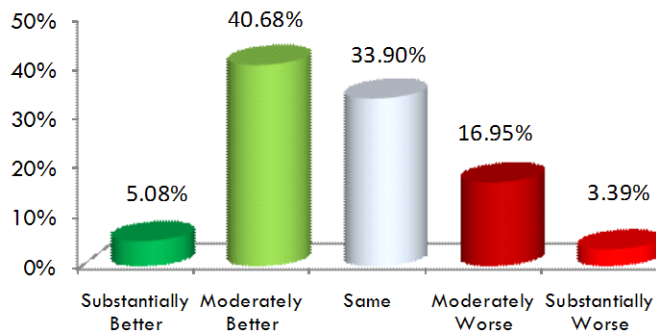
**C1b. Compared to 12 months ago, how would you evaluate current conditions in your company?**



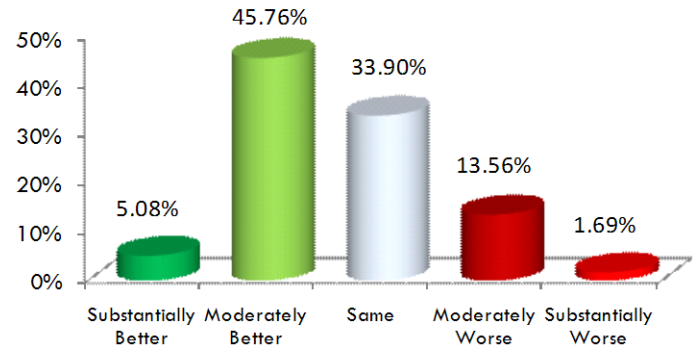
### **Future expectations for the health care industry (2009)**

CEOs are more upbeat about the future of the health care industry in the Nashville MSA than in the nation.

**C2a. Looking forward to 12 months from now, what is your expectation for the health care industry in the U.S.?**



**C2a. Looking forward to 12 months from now, what is your expectation for the health care industry in the Nashville MSA?**

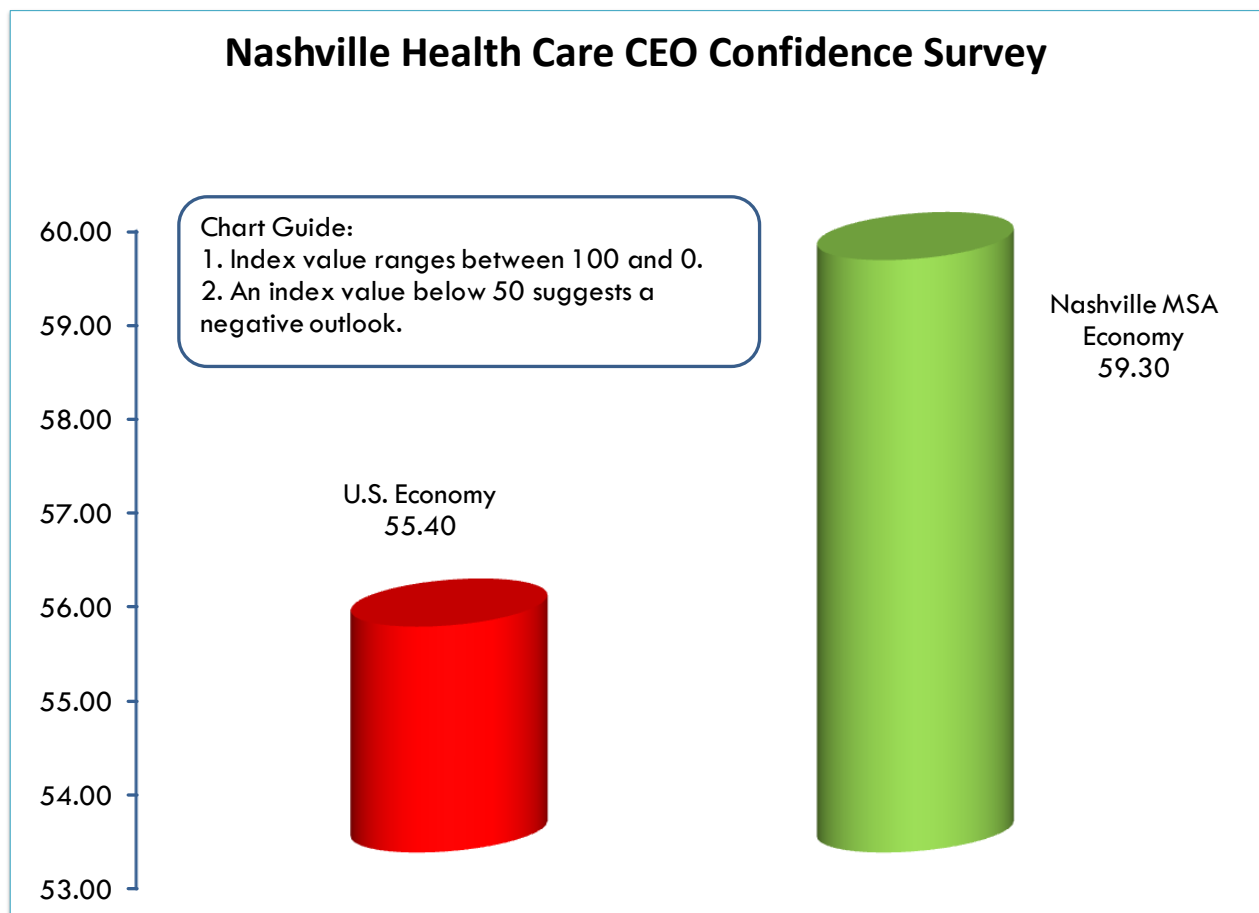


### **CEO Confidence Survey**

The *CEO Confidence Survey* is the average value of standardized scores for the three survey questions highlighted above. These are (1) current general economic conditions compared to a year ago (labeled as question # C1), (2) future expectations for the overall economy (labeled as question # C2), and (3) future expectations for the health care industry (labeled as question # C2a).



As presented below, overall, the CEO outlook is positive for both the U.S. and Nashville MSA economies. An index value of 50 and higher suggests a positive outlook. These figures are comparable to the CEO business confidence survey conducted quarterly by the Conference Board. To give a context for *BERC CEO Confidence Survey*, the first quarter reading of the Conference Board CEO Confidence Index is 62, suggesting a positive outlook. As noted below, the health care CEO outlook for the Nashville MSA is 59.30, nearly four points higher than the health care CEO outlook for the nation.<sup>5</sup>



#### ***Hiring and profit expectations***

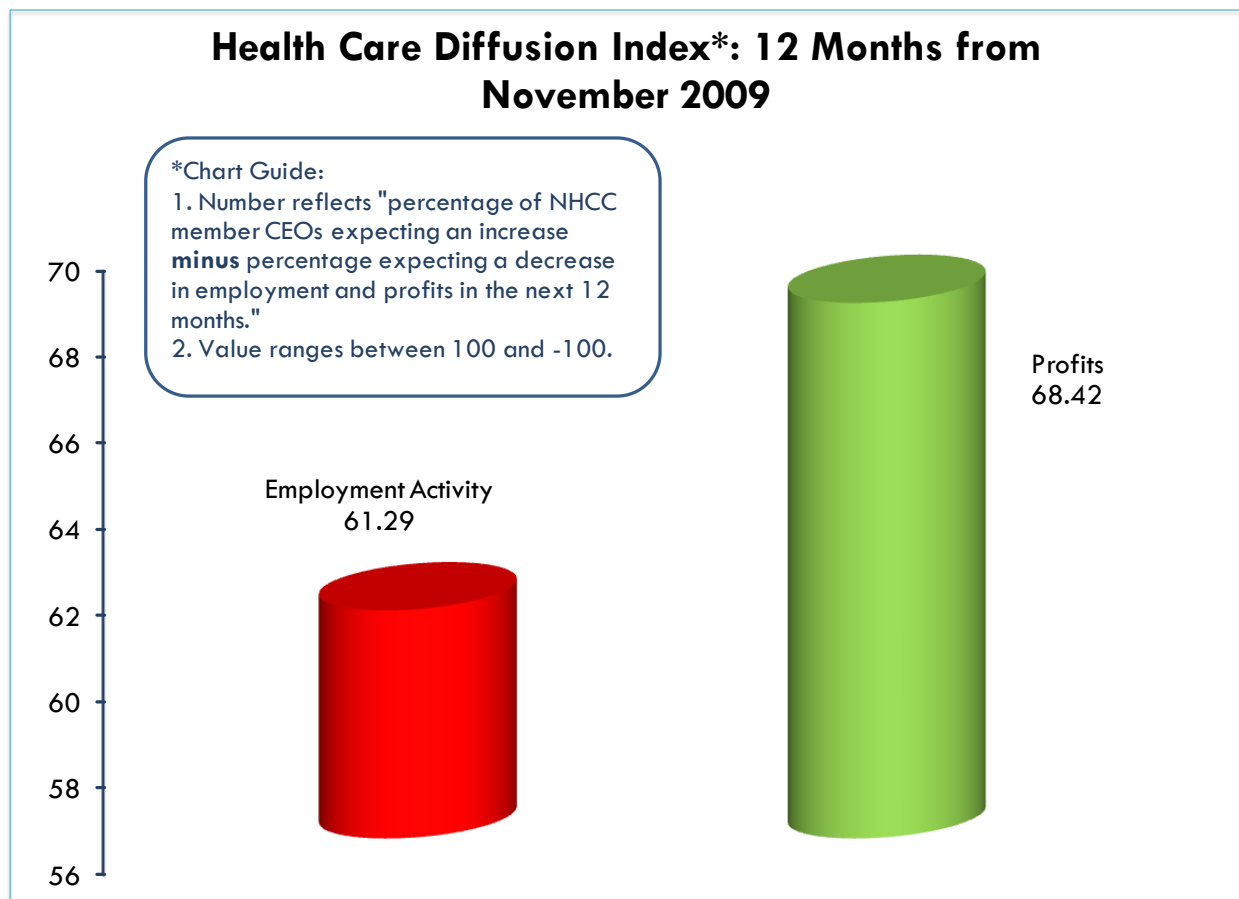
The extensive analysis of the health care sector suggests that the industry is a growth industry even in the face of the worst economic recession in recent history. NHCC member CEOs suggest that this trend will continue. The employment activity index, which ranges from -100 to +100, with -100 being very negative and +100 being very positive, shows a strong hiring expectation in the

<sup>5</sup>For the latest survey, see [www.conference-board.org](http://www.conference-board.org).



year following November 2009. This index number is constructed as the difference between the percent of CEOs expecting an increase in hiring and the percent of CEOs expecting a decrease. The current reading of the employment activity index is 61.29. The employment activity index is comparable to the business outlook survey for the manufacturing industry by the Federal Reserve Bank of Philadelphia.<sup>6</sup> The April 2010 reading of the Federal Reserve Bank survey is 44, suggesting expanding economic activities in the manufacturing sector.

As the chart below shows, along with hiring expectations, there is also a strong profit expectation among the NHCC member CEOs: the index number for profits is 68.42.

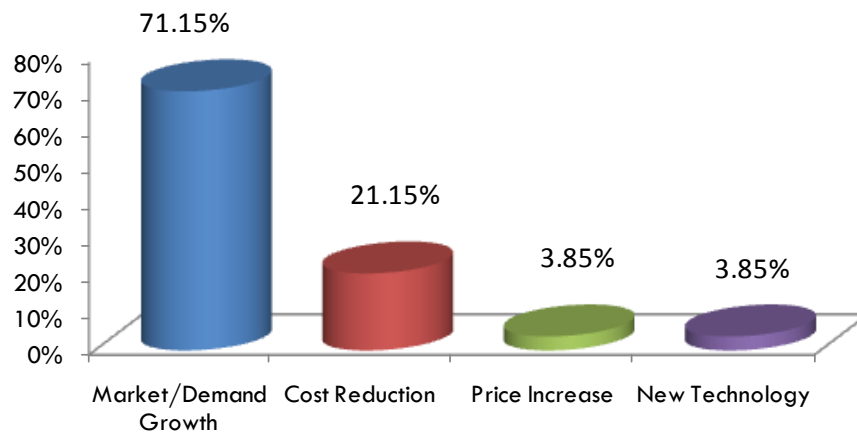


<sup>6</sup> For a recent survey, see [www.philadelphiafed.org](http://www.philadelphiafed.org).



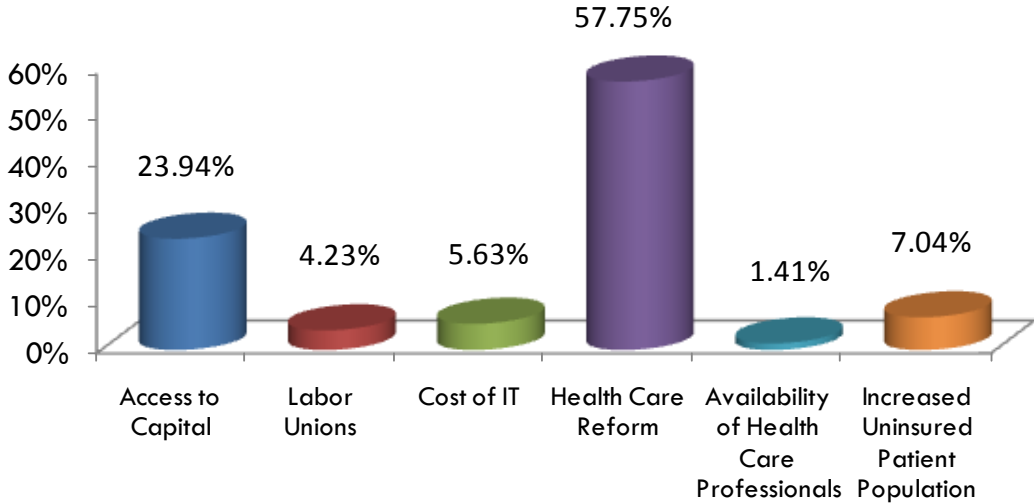
**What is the driving force for increasing profit expectations?** More than two-thirds of NHCC member CEOs expect the growth in demand for health services to be the driving force for profits. About one-fifth of the health care CEOs cite cost reduction as a primary reason for increasing profit expectations.

**C5. If you expect your profits from health care related operations to increase, what would be the primary reason?**

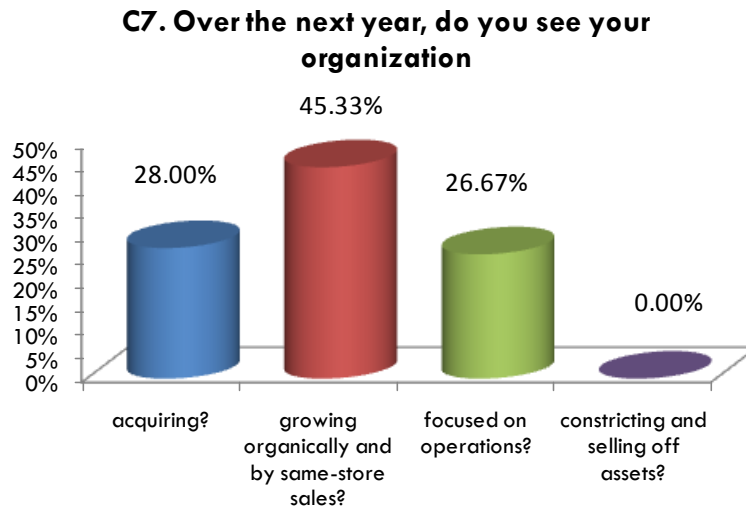


**What is the biggest business concern over the next year?** Before proceeding further, a note of explanation is in order. This survey was conducted between November 19, 2009, and January 10, 2010 during a period of national-level debate on health care reform. It is not surprising to see nearly three-fifths of the member CEOs citing health care reform as the biggest business concern. It is not clear, however, whether the content of the reform, uncertainty surrounding the reform, or both are the cause of business concerns. Access to capital ranked second with nearly one-fourth of the CEOs citing it as their biggest business concern.

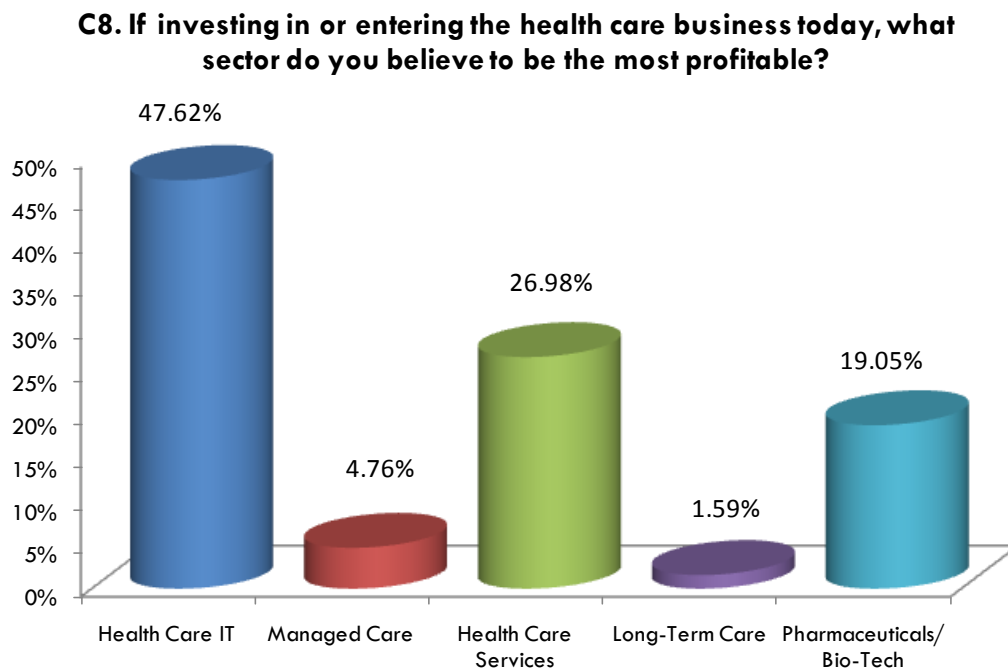
**C6. What is your biggest business concern over the next year?**



**What are the plans for next year?** Nearly 50 percent of member CEOs indicated that their organizations will grow organically. Mergers and acquisitions ranked second: 28 percent of CEOs expect their organizations to acquire. Nearly 27 percent indicated that their organizations will focus on operations.



**What are the profitable investment areas in the health care business?** Nearly half of NHCC member CEOs suggested that the most profitable sector in the health care business is health care IT. Overall, health care services were cited next by 27 percent, followed by pharmaceuticals/bio-tech industry (19 percent).



**How important is a Nashville location to your business?** Does Nashville make a difference for your business? Overall, 95 percent of the NHCC member CEOs indicated that Nashville is important for their business; 53 percent said it is very important.

**C9. How important is it to your business to be located in Nashville?**

