

## THE HEALTH CARE INDUSTRY IN THE NASHVILLE MSA\*: EXECUTIVE SUMMARY

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### *Executive Summary*

Health care is a growth industry that is relatively immune to economic cycles. Over the years, the health care sector has been driving employment growth in the national economy, and considering such factors as the health care worker shortage across the United States along with an increasingly aging population, it is likely that this trend will continue.

Amid overall growth in the health care sector throughout the United States, Nashville provides a unique example of a hub of the national health care industry. More than 56 major health care companies (public and private) have chosen Nashville as their home, and seven of the nation's 12 leading for-profit acute care hospital companies are located in Nashville, controlling more than one-third of the investor-owned hospitals in the United States.

The scope of the health care industry in Nashville ranges from basic-service providers such as physicians to major hospital management companies, large renal dialysis companies, health information technology, and advanced life sciences research. This study presents two views of Nashville's health care industry: (1) the core health care industry, defined as ambulatory services, hospitals, and nursing and residential care facilities that provide care in the Nashville MSA\*, and (2) the health care industry cluster, which encompasses the core health care industry and other related health care industries such as health care management companies, life sciences research, and professional services firms that operate on a local, national, or international basis. Also included in this study is a profile of Nashville Health Care Council (NHCC) member companies and the NHCC member *CEO Confidence Survey*.

### *Overview of the Core Health Care Industry*

The concept of the core health care industry refers to health care services classified as such under the NAICS (North American Industrial Classification System): 621 (Ambulatory Services), 622 (Hospitals), and 623 (Nursing and Residential Care Facilities).

### *Nation*

- **By 2018, one in every six new jobs** in the nation will be in health care, and the resulting 2.8 million additional workers will be spread throughout this large and diverse sector from health care practitioners' offices, outpatient clinics, and hospitals to nursing and residential care facilities.
- **A total of 19.4 percent of the gross domestic product (GDP)** is projected to be health care expenditures in 2019, up from 16.2 percent in 2008.

## Tennessee

- **One in every seven new jobs** in Tennessee is projected to be in health care by 2016.

## Nashville MSA

- **For every 100 nonfarm jobs created, 26 were in the health care sector** between 2004 and 2008.
- **One in every 12 occupations was a health care occupation in 2008.**

## Employment, Establishment, and Wages in the Nashville MSA

- **In 2008, nearly 90,300 people were employed by Nashville's core health care sector**, a more than 22 percent increase from 2004.
- Between 2004 and 2008, **a total of 466 new core health care establishments emerged** in Nashville, bringing the total to 2,703, up 9 percent from 2004.
- **Wages totaling \$4.7 billion were paid in 2008** by the core health care industry in the Nashville MSA, up 44 percent from 2004.
- The **average wage for health care occupations is \$62,010**, significantly higher than Nashville's average annual wage of \$39,280.

## Core Health Care Spending in the Nashville MSA

- **More than 70 percent of core health care spending** goes to individuals as either payroll or proprietary income in the Nashville MSA, increasing the purchasing power of many people in the region.

## Overview of the Nashville Health Care Industry Cluster

The greater health care industry cluster in Nashville encompasses the core health care industry and other related health care industries such as health care management companies, life sciences research, and professional services firms that operate on a local, national, or international basis.

## Nashville-Based Health Care Headquarter Companies

- **In 2008, 17 publicly traded health care companies headquartered in Nashville** had combined worldwide employment of more than 145,000 and revenue of nearly \$26 billion.
- **In 2008**, the 22 Nashville-based public and private investor-owned health care management companies accounted for more than **\$61 billion in revenue and over 375,000 jobs globally.**

#### *Health Care Industry Cluster Employment and Office Space*

- **In 2008, the health care industry cluster directly employed 113,453 people in the Nashville MSA, up 20.3 percent from 2004,** making the health care industry cluster the largest employer in the region.
- **Fifteen of every 100 nonfarm employees** in the Nashville MSA were in health care.
- **Seventy-nine percent of Nashville health care industry cluster employment** was in the core health care industry.
- In 2008, the Nashville health care industry cluster occupied **31 million square feet of office space, 16.4 percent of Nashville's total office and industrial space.**

#### *Employment Impact*

- In 2008, the health care industry cluster in the Nashville MSA accounted for **211,059 jobs (direct, indirect, and induced), up 36.4 percent from 2004.**
- This accounts for **8 percent of Tennessee's and 28 percent of the Nashville MSA's nonfarm employment** in 2008.
- **Every 100 industry cluster jobs create an additional 86 jobs** in the Nashville economy.
- The Nashville health care industry cluster includes nearly **3,582 establishments, up 9 percent from 2004.**

#### *Personal Income Impact*

- The Nashville health care industry cluster generated **\$13.4 billion (direct, indirect, and induced) in personal income** in 2008, up 59 percent from 2004.
- **Every \$100 of personal income generated an additional \$39** in the local economy.
- Nashville health care industry cluster direct personal income was \$6 billion.
- This corresponds to nearly 22 percent of the Nashville MSA's total personal income in 2008.

#### *Economic Impact*

- The health care industry cluster in the Nashville MSA created **\$29.2 billion (direct, indirect, and induced) in business revenues in 2008, an increase of 60 percent from 2004.**
- **Of this total, \$16.8 billion was directly** injected into the economy.
- **Every \$100 of health care cluster spending generates an additional \$74** in business revenues.
- The Nashville health care industry cluster accounted for **an estimated \$1.2 billion in state and local taxes in 2008.**

#### *Health Care Financial Infrastructure Access to Capital*

- Nashville ranks first among a comparison of 13 MSAs in terms of **number of major health care industry cluster management companies** (both public and private), their revenues, and their employment.
- Nashville also ranks first in terms of business climate and **relative health care competitiveness**.

#### ***Nashville Health Care Council (NHCC) Member Companies***

*More than 149 NHCC member companies were surveyed and profiled in order to gain an up-to-date and accurate picture of NHCC membership.*

#### *NHCC Member Impact on the Nashville MSA*

- **In 2009, NHCC member companies employed nearly 70,000 people** in the Nashville MSA, up 69.7 percent from 2005.
- Total Nashville-based **payroll of NHCC member companies is \$4.9 billion, an increase of 36 percent from 2005.**
- **The average annual wage per employee is \$70,015**, substantially higher than the average nonfarm wage in the Nashville MSA.

#### *NHCC Member Office Space*

- NHCC member companies in the Nashville MSA occupied **11 million square feet of office space** in 2009.

#### *NHCC Member Nashville-Based Sales*

- NHCC member companies generated **an estimated \$37.8 billion in Nashville-based sales** in 2009, an increase of more than 100 percent from 2005.

#### *NHCC Members' Global Impact*

- NHCC member companies **employed 374,111 people** globally with a total **revenue of \$131 billion.**

\* This study is a detailed analysis of the Nashville MSA, which includes Cannon, Cheatham, Davidson, Dickson, Hickman, Macon, Robertson, Rutherford, Smith, Sumner, Trousdale, Wilson, and Williamson counties.