

3 Los Angeles County

Health Care Sector

Across Los Angeles County, hospitals, health care centers, doctors’ offices and laboratories provide access to a variety of vital health care services, employing thousands of workers, and generating significant revenues and tax dollars.

The health care sector is composed of several inter-related and supporting industries, including ambulatory health care services, hospitals, and nursing and residential care facilities. The sector as a whole has been growing over the past decade and is likely to be a driver of economic activity going forward as our population grows, as it ages, and as medical advances extend our productive lives.

There were more than 22,400 private and public establishments and almost 390,000 payroll employees in the health care sector, representing 10.1 percent of all payroll employment in Los Angeles County. Offices of health care practitioners is the largest industry by number of establishments, but the hospital industry employs more workers, providing 146,340 jobs.

These data do not include the self-employed or freelance workers, which we estimate could add an additional 41,000 workers, many of whom are health care practitioners or work in home health care services.

Payroll employment in this sector has been growing over the past twenty years. In 1990, employment in Los Angeles County in the health care industry was 306,582, growing to 389,661 in 2010. Growth has accelerated in the past decade, averaging approximately 1.9 percent on an annual basis since 2000, compared to 0.4 percent per year in the prior decade.

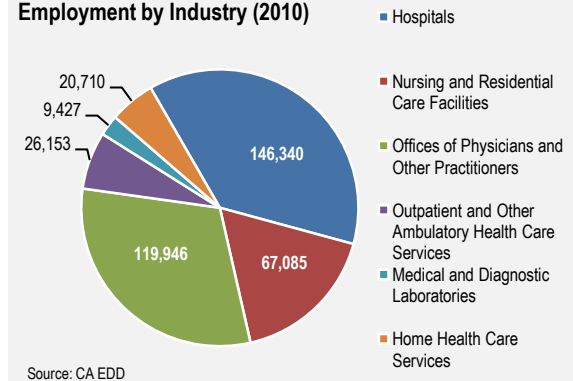
In the county as a whole, total payroll employment has not shown such a steady increase over the period, and indeed experienced a dramatic decline during the recession.

Exhibit 3-1
Health Care Services in Los Angeles County (2010)

	# of Establishments
Hospitals:	
General Medical and Surgical Hospitals ¹	121
Other Hospitals ²	181
Nursing and Residential Care Facilities	1,719
Offices of Health Care Practitioners	18,219
Outpatient Care Centers	885
Medical and Diagnostic Laboratories	484
Home Health Care Services	826
TOTAL Establishments	22,441
% of all LAC Establishments	5.3%

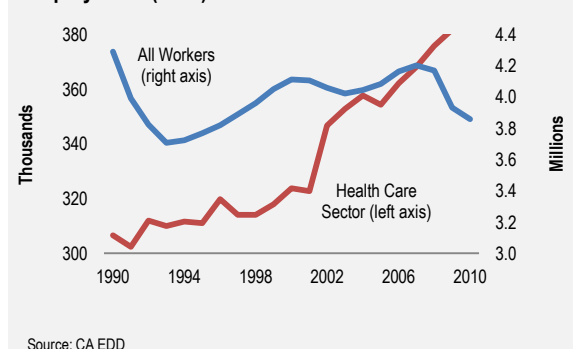
Source: CA EDD
¹ Includes federal, state and county general medical and surgical hospitals such as VA hospitals
² Includes psychiatric and substance abuse hospitals and specialty hospitals

Exhibit 3-2
Employment by Industry (2010)



Source: CA EDD

Exhibit 3-3
Employment (2010)



Source: CA EDD

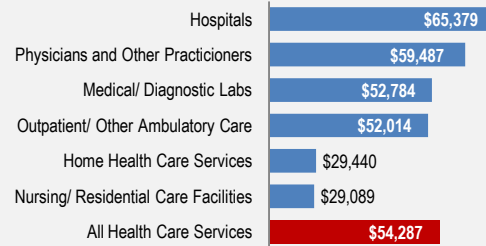
Wages

Wages of health care workers vary by industry, as shown in Exhibit 3-4. Average wages are highest in hospitals, reaching \$65,379 annually, and lowest in nursing and residential care facilities where workers earned an average of \$29,089 in 2010.

Overall, the average annual wage in the health care industry in Los Angeles County in 2010 was \$54,287.

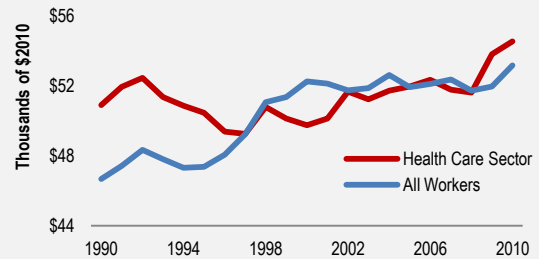
The purchasing power of earnings in the health care sector has been improving recently, but this has not always been the case. In the 1990s, for example, real wages deteriorated, reaching a low in 1997. However, real wages have shown improvement since 2000 and in particular during the last two years. This is in contrast to the average real wage for all workers in Los Angeles County, which grew through 2000 and remained relatively flat until just this last year. ❖

Exhibit 3-4
Average Annual Wages by Industry (2010)



Source: CA EDD

Exhibit 3-5
Average Annual Wages



Source: CA EDD

Ongoing Operations of Hospitals in Los Angeles County

Economic Activity

Data compiled by the State of California Office of Statewide Health Planning and Development (OSHPD) provides insight into the capabilities and activity at reporting hospitals. Summary data for hospitals in Los Angeles County is shown in Exhibit 3-6. This data excludes several hospitals, such as Kaiser Foundation Hospitals, California State hospitals and hospitals focused on long-term care, and therefore underreports the number of beds, patient days, discharges and outpatient visits.

The 97 reporting hospitals in Los Angeles County reported 23,310 licensed beds and 22,180 available beds with an average occupancy rate of 64.5 percent. These hospitals combined provided over 5.2 million inpatient days, with acute care accounting for nearly 78 percent. The average length of stay for patients who stayed at least one night was 5.7 days.

Total discharges numbered over 915,000 (although some of these were inter-institutional transfers). There were more than 9.3 million outpatient visits to hospitals in Los Angeles County, almost 30 percent of which were emergency room visits.

Hospital operations generate substantial revenues, employment and labor income. A summary of the activity of the reporting hospitals is shown in Exhibit 3-7.

These hospitals received \$18 billion in net patient revenue and \$1.8 billion in other revenue. Together they spent more than \$7.9 billion in purchases, including services and supplies, much of which was spent within the Los Angeles region. In addition to this spending, \$7.0 billion was paid in wages and salaries, with an additional \$2.8 billion in employee benefits. Moreover, \$450 million was paid to physicians and \$650 million was paid for other professional services.

Exhibit 3-6 Los Angeles County Hospitals (2010)

Hospitals reporting ¹	97
Beds:	
Licensed	23,310
Available	22,186
Occupancy Rates:	
Licensed Beds	61.4%
Available Beds	64.5%
Patients Days:	
Acute Care	4,062,559
Psychiatric Care	547,815
Chemical Dependency	132,143
Rehabilitation	335,047
Long-term Care	138,174
Total	5,215,738
Average Length of Stay	5.7
Discharges	915,458
Outpatient Visits:	
Emergency Room	2,638,437
All Other Outpatients	6,707,489
Total	9,345,926

Source: California Office of Statewide Health Planning and Development

¹ Excludes Kaiser Foundation hospitals, California State hospitals and hospitals of the Department of Veterans Affairs

Exhibit 3-7 Economic Activity of Hospital Operations (2010)¹

	\$ billions
Net Patient Revenue	\$ 18.02
Other Operating Revenue	0.63
Non-Operating Revenue	1.16
Purchases:	
Supplies	\$ 2.80
Services	2.45
Leases and rentals	0.28
Other	2.38
Salaries and wages	\$ 7.01
Employee benefits	2.84
Physician professional fees	0.45
Other professional fees	0.65

Source: California Office of Statewide Health Planning and Development

¹ Excludes Kaiser Foundation hospitals, California State hospitals and hospitals of the Department of Veterans Affairs

Economic and Fiscal Contribution

The total economic contribution of the hospital industry extends beyond the activity generated within the sector itself. Wages paid to the staff and payments made for purchases of goods and services circulate throughout the economy generating additional indirect and induced activity.

Using methodology described in the Appendix, we estimate that total industry revenues in Los Angeles County in 2010 were \$19.8 billion.

The total economic contribution of the hospital industry in Los Angeles County in 2010, including direct, indirect and induced activity, is shown in Exhibit 3-8.

Exhibit 3-8
Economic and Fiscal Contribution of Hospital Industry (Los Angeles County, 2010)

Estimated Annual Revenue (\$ billions)	\$ 19.8
Total Economic Contribution:	
Output (\$ billions)	\$ 44.1
Employment (jobs)	296,230
Labor income (\$ billions)	\$ 19.1
Total Fiscal Contribution (\$ millions):	
Income taxes (including profits taxes)	\$ 605.0
Sales taxes	563.8
Property taxes	624.4
Fees and fines	222.4
Social insurance	81.8
Other taxes	110.2
Total *	\$ 2,207.6

* May not sum due to rounding
 Source: Estimates by LAEDC

The hospital industry in Los Angeles County contributed \$44.1 billion in total economic output and supported almost 300,000 full- and part-time jobs with total labor income (including benefits) of \$19.1 billion.

We estimate that the industry generated \$2.2 billion in state and local taxes through its contribution to economic activity in the county.

Industry Sector Breakdown

The indirect and induced impacts spill across industries, as shown in Exhibit 3-9.

Most of these impacts of course occur in the health care and social assistance sector, but other sectors affected will include administrative and waste management, retail trade, and real estate and rental services.

Exhibit 3-9
Economic Contribution by Industry Sector (Los Angeles County, 2010)

Sector	Employment	Output (\$ millions)
Agriculture	339	\$ 46
Mining	285	73
Utilities	395	339
Construction	1,474	206
Manufacturing	5,223	2,713
Wholesale trade	4,543	781
Retail trade	19,306	1,460
Transportation and warehousing	4,781	596
Information	2,800	1,142
Finance and insurance	14,846	3,157
Real estate and rental	17,859	5,176
Professional, scientific and technical services	10,568	1,495
Management of companies	2,852	511
Administrative and waste management	20,611	1,096
Educational services	4,520	344
Health care and social assistance	151,666	22,291
Arts, entertainment and recreation	3,910	284
Accommodation and food services	14,099	881
Other services	13,232	937
All others	2,921	558
Total *	296,230	\$ 44,087

* May not sum due to rounding
 Source: Estimates by LAEDC

Most industry sectors benefit from the economic activity generated by the hospital industry. A description of the industry sectors is provided in the Appendix.

Occupational Analysis

Of the jobs supported by the industry, almost one third is in healthcare practitioner and healthcare support occupations, with average annual wages of \$82,184 and \$28,947 respectively.

The occupational distribution of the total jobs is shown in Exhibit 3-10.

Exhibit 3-10

Occupational Distribution of Total Employment Impact (Los Angeles County, 2010)

Occupational Description	Employment	Average Annual Wages
Management	12,945	\$122,665
Business & financial operations	11,909	74,138
Computer & mathematical science	4,722	82,005
Architecture & engineering	1,412	90,170
Life, physical, & social science	1,800	69,898
Community & social services	5,566	51,351
Legal	1,505	131,809
Education, training, & library	4,310	59,608
Arts, design, entmt, sports, & media	2,591	75,670
Healthcare practitioners & tech	75,277	82,184
Healthcare support	21,684	28,947
Protective service	3,652	52,006
Food preparation & serving related	18,964	21,800
Building & grounds cleaning & maint	14,277	27,520
Personal care & service	7,165	26,961
Sales & related	20,970	38,837
Office & administrative support	54,801	37,195
Farming, fishing, & forestry	347	25,145
Construction & extraction	2,735	51,160
Installation, maintenance, & repair	9,450	47,310
Production	8,229	31,539
Transportation & material moving	11,919	33,128
All	296,230	\$ 50,844

* May not sum due to rounding
Source: Estimates by LAEDC

While the industry has an impact on all industry sectors, the economic activity it supports throughout the region provides employment for a wide variety of occupations. The education and work experience requirements of each occupation are provided in the Appendix. ❖

Construction Spending

Economic and Fiscal Impact

In addition to ongoing, regular and recurring operations, the hospital industry continues to invest in construction projects at existing and new facilities, and carry out retrofits motivated by regulatory mandates. This investment generates significant economic activity.

Our estimates for construction spending in 2010 were obtained from OSHPD using the change in percentage of completion of active projects during the year.

The total economic impact of construction spending by the hospital industry in Los Angeles County in 2010, including direct, indirect and induced activity, is shown in Exhibit 3-11.

Exhibit 3-11
Economic and Fiscal Impact of Hospital Industry Construction Spending (Los Angeles County, 2010)

Estimated Construction Spending (\$ millions)	\$ 530.0
Total Economic Impact:	
Output (\$ millions)	\$ 1,133.1
Employment (jobs)	7,360
Labor income (\$ millions)	\$ 422.4
Total Fiscal Impact (\$ millions):	
Income taxes (including profits taxes)	\$ 13.9
Sales taxes	11.5
Property taxes	12.8
Fees and fines	4.9
Social insurance	1.6
Other taxes	2.3
Total *	\$ 47.0

* May not sum due to rounding
 Source: Estimates by LAEDC

Construction spending by the hospital industry in Los Angeles County in 2010 generated \$1.1 billion in total economic output and supported 7,360 full- and part-time jobs with total labor income (including benefits) of \$422 million. We estimate that this spending generated \$47 million in state and local taxes through its contribution to economic activity in the region.

Industry Sector Breakdown

The indirect and induced impacts spill across industries, as shown in Exhibit 3-12. Most of these impacts will occur in the construction sector, but other sectors affected include professional, scientific and technical services, retail trade, and health care and social assistance.

Exhibit 3-12
Impact of Construction Spending by Industry Sector (Los Angeles County, 2010)

Sector	Employment	Output (\$ millions)
Agriculture	7	\$ 1
Mining	12	3
Utilities	8	7
Construction	3,512	535
Manufacturing	375	123
Wholesale trade	154	27
Retail trade	447	34
Transportation and warehousing	143	19
Information	69	29
Finance and insurance	324	71
Real estate and rental	196	81
Professional, scientific and technical services	467	70
Management of companies	32	6
Administrative and waste management	287	17
Educational services	102	8
Health care and social assistance	464	46
Arts, entertainment and recreation	93	7
Accommodation and food services	319	20
Other services	305	22
All others	48	9
Total *	7,360	\$ 1,133

* May not sum due to rounding
 Source: Estimates by LAEDC

As seen with the economic impact of ongoing operations, almost all industry sectors are impacted by the total economic activity generated by the construction spending of the hospital industry. A description of the industry sectors is provided in the Appendix. ❖