

# 4 Orange County

## Health Care Sector

Across Orange 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 8,400 private and public establishments and 123,300 payroll employees in the health care sector, representing 9.1 percent of all payroll employment in Orange County. Offices of health care practitioners is the largest industry by number of establishments and employs the most workers, providing 47,052 jobs.

These data do not include the self-employed or freelance workers, which we estimate could add an additional 12,000 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 Orange County in the health care industry was 79,787, rising to 123,320 in 2010. Growth has accelerated in the past decade, averaging approximately 3.2 percent on an annual basis since 2000, compared to 1.2 percent per year in the prior decade.

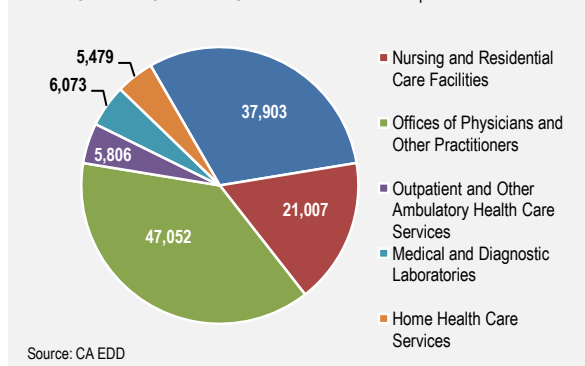
In the county as a whole, total payroll employment has not shown such a steady increase over the period, and indeed experienced a dramatic decline during the recession.

**Exhibit 4-1**  
Health Care Services in Orange County (2010)

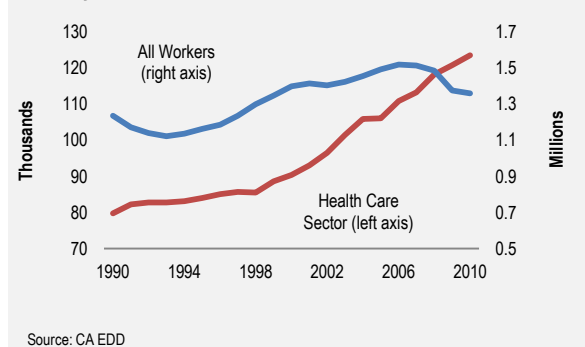
	# of Establishments
<b>Hospitals:</b>	
General Medical and Surgical Hospitals <sup>1</sup>	31
Other Hospitals <sup>2</sup>	18
Nursing and Residential Care Facilities	574
Offices of Health Care Practitioners	7,102
Outpatient Care Centers	230
Medical and Diagnostic Laboratories	219
Home Health Care Services	184
<b>TOTAL Establishments</b>	<b>8,415</b>
<b>% of all OC Establishments</b>	<b>8.3%</b>

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

**Exhibit 4-2**  
Employment by Industry (2010)



**Exhibit 4-3**  
Employment (2010)



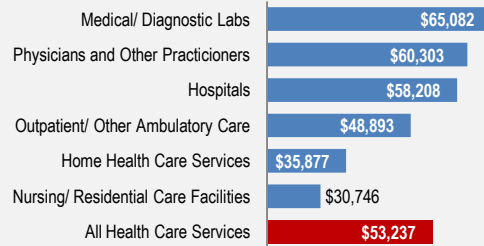
### Wages

Wages of health care workers vary by industry, as shown in Exhibit 4-4. Average wages were highest in medical and diagnostic laboratories in 2010, reaching \$65,082 annually, and lowest in nursing and residential care facilities where workers earned an average of \$30,746 in 2010.

Overall, the average annual wage in the health care industry in Orange County in 2010 was \$53,237.

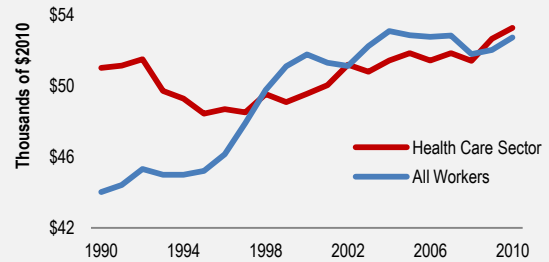
The purchasing power of earnings in the health care sector has been improving recently, but this has not always been the case. In the 1990s, for example, real wages deteriorated, reaching a low in 1995. However, real wages have shown improvement since then. Average real wages for all workers in Orange County has risen steadily since 1990 but stumbled during the recession and now are below those in the health care sector. ❖

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



Source: CA EDD

**Exhibit 4-5**  
Average Annual Wages



Source: CA EDD

## Ongoing Operations of Hospitals in Orange 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 Orange County is shown in Exhibit 4-6. 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 29 reporting hospitals in Orange County reported 6,354 licensed beds and 5,995 available beds with an average occupancy rate of 58.0 percent. These hospitals combined provided almost 1.3 million inpatient days, with acute care accounting for 81 percent. The average length of stay for patients who stayed at least one night was 5.1 days.

Total discharges numbered 251,749 (although some of these were inter-institutional transfers). There were more than 2.65 million outpatient visits to hospitals in Orange 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 4-7.

These hospitals received \$5.3 billion in net patient revenue and \$413 million in other revenue. Together they spent almost \$2.5 billion in purchases, including services and supplies, much of which was spent within the Orange County region. In addition to this spending, \$1.9 billion was paid in wages and salaries, with an additional \$661 million in employee benefits. Moreover, \$95 million was paid to physicians and \$110 million was paid for other professional services.

#### Exhibit 4-6 Orange County Hospitals (2010)

Hospitals reporting <sup>1</sup>	29
<b>Beds:</b>	
Licensed	6,354
Available	5,995
<b>Occupancy Rates:</b>	
Licensed Beds	54.8%
Available Beds	58.0%
<b>Patients Days:</b>	
Acute Care	1,023,013
Psychiatric Care	128,423
Chemical Dependency	32,545
Rehabilitation	70,427
Long-term Care	15,825
Total	1,270,233
<b>Average Length of Stay</b>	5.1
<b>Discharges</b>	251,749
<b>Outpatient Visits:</b>	
Emergency Room	738,576
All Other Outpatients	1,913,658
Total	2,652,234

Source: California Office of Statewide Health Planning and Development

<sup>1</sup> Excludes Kaiser Foundation hospitals, California State hospitals and hospitals of the Department of Veterans Affairs

#### Exhibit 4-7 Economic Activity of Hospital Operations (2010)<sup>1</sup>

	\$ millions
Net Patient Revenue	\$ 5,307.0
Other Operating Revenue	218.1
Non-Operating Revenue	194.8
<b>Purchases:</b>	
Supplies	\$ 880.2
Services	808.9
Leases and rentals	125.4
Other	663.4
Salaries and wages	\$ 1,905.6
Employee benefits	660.8
Physician professional fees	94.9
Other professional fees	108.9

Source: California Office of Statewide Health Planning and Development

<sup>1</sup> 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 2010 were \$5.7 billion.

The total economic contribution of the hospital industry in Orange County in 2010, including direct, indirect and induced activity, is shown in Exhibit 4-8.

**Exhibit 4-8**  
**Economic and Fiscal Contribution of Hospital Industry (Orange County, 2010)**

<b>Estimated Annual Revenue</b> (\$ billions)	<b>\$ 5.7</b>
<b>Total Economic Contribution:</b>	
Output (\$ billions)	\$ 13.4
Employment (jobs)	90,150
Labor income (\$ billions)	\$ 5.7
<b>Total Fiscal Contribution (\$ millions):</b>	
Income taxes (including profits taxes)	\$ 190.1
Sales taxes	177.4
Property taxes	196.5
Fees and fines	74.1
Social insurance	18.7
Other taxes	34.9
<b>Total *</b>	<b>\$ 691.9</b>

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

The hospital industry in Orange County contributed \$13.4 billion in total economic output and supported 90,150 full- and part-time jobs with total labor income (including benefits) of \$5.7 billion.

We estimate that the industry generated \$692 million 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 4-9.

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

**Exhibit 4-9**  
**Economic Contribution by Industry Sector (Orange County, 2010)**

<b>Sector</b>	<b>Employment</b>	<b>Output (\$ millions)</b>
Agriculture	153	\$ 20
Mining	120	29
Utilities	148	129
Construction	399	62
Manufacturing	1,721	839
Wholesale trade	1,362	246
Retail trade	6,380	488
Transportation and warehousing	1,229	156
Information	865	347
Finance and insurance	4,877	1,059
Real estate and rental	5,191	1,629
Professional, scientific and technical services	3,573	482
Management of companies	1,045	187
Administrative and waste management	5,572	353
Educational services	1,231	82
Health care and social assistance	45,795	6,469
Arts, entertainment and recreation	1,203	90
Accommodation and food services	4,595	286
Other services	3,912	285
All others	782	138
<b>Total *</b>	<b>90,150</b>	<b>\$ 13,376</b>

\* 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 \$80,444 and \$31,293 respectively.

The occupational distribution of the total jobs is shown in Exhibit 4-10.

#### **Exhibit 4-10**

#### **Occupational Distribution of Total Employment Impact (Orange County, 2010)**

<b>Occupational Description</b>	<b>Employment</b>	<b>Average Annual Wages</b>
Management	3,961	\$ 122,996
Business & financial operations	3,720	73,131
Computer & mathematical science	1,509	81,828
Architecture & engineering	439	84,778
Life, physical, & social science	556	74,676
Community & social services	1,607	51,729
Legal	502	111,677
Education, training, & library	1,168	61,473
Arts, design, entmt, sports, & media	801	51,476
Healthcare practitioners & tech	22,860	80,444
Healthcare support	6,560	31,293
Protective service	1,008	50,300
Food preparation & serving related	6,007	22,147
Building & grounds cleaning & maint	4,309	26,166
Personal care & service	2,098	25,128
Sales & related	6,669	43,284
Office & administrative support	16,802	38,126
Farming, fishing, & forestry	123	22,686
Construction & extraction	775	49,913
Installation, maintenance, & repair	2,823	47,074
Production	2,431	32,554
Transportation & material moving	3,423	31,434
<b>All</b>	<b>90,150</b>	<b>\$50,370</b>

\* 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 of Hospitals in Orange County

### 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 Orange County in 2010, including direct, indirect and induced activity, is shown in Exhibit 4-11.

**Exhibit 4-11**  
**Economic and Fiscal Impact of Hospital Industry Construction Spending (Orange County, 2010)**

<b>Estimated Construction Spending (\$ millions)</b>	<b>\$ 320.0</b>
<b>Total Economic Impact:</b>	
Output (\$ millions)	\$ 717.0
Employment (jobs)	4,390
Labor income (\$ millions)	\$ 292.4
<b>Total Fiscal Impact (\$ millions):</b>	
Income taxes (including profits taxes)	\$ 9.8
Sales taxes	7.6
Property taxes	8.4
Fees and fines	3.7
Social insurance	0.9
Other taxes	1.5
<b>Total *</b>	<b>\$ 31.8</b>

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

Construction spending by the hospital industry in Orange County generated \$717 million in total economic output and supported 4,390 full- and part-time jobs with total labor income (including benefits) of \$292 million. We estimate that this spending generated \$31.8 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 4-12. Most of these impacts will occur in the construction sector, but other sectors affected include retail trade, professional, scientific and technical services, and health care and social assistance.

**Exhibit 4-12**  
**Impact of Construction Spending by Industry Sector (Orange County, 2010)**

Sector	Employment	Output (\$ millions)
Agriculture	7	\$ 1
Mining	11	3
Utilities	6	5
Construction	1,830	323
Manufacturing	244	77
Wholesale trade	90	16
Retail trade	332	25
Transportation and warehousing	77	10
Information	44	18
Finance and insurance	230	51
Real estate and rental	122	56
Professional, scientific and technical services	308	41
Management of companies	23	4
Administrative and waste management	170	11
Educational services	63	4
Health care and social assistance	313	32
Arts, entertainment and recreation	63	5
Accommodation and food services	229	14
Other services	197	14
All others	27	5
<b>Total *</b>	<b>4,390</b>	<b>\$ 717</b>

\* 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. ❖