

The Economic Impact of Solano County Community Health Centers*



Solano County Community Health Centers are non-profit, community-based health centers that provide comprehensive primary and preventive health care and social services to medically underserved individuals and families regardless of their ability to pay. The health centers strive to meet the unique health needs of their communities in linguistically and culturally competent ways.

In addition to providing critically needed health care services, the health centers are **powerful “economic engines”** whose business operations significantly impact their communities’ economy.

Solano County Community Health Centers

- ◆ are **major employers** in their communities.
- ◆ provide **direct employment** for people in their communities, including critical entry-level jobs, training, and career building opportunities that are community-based.
- ◆ **purchase goods and services** directly from local businesses, thereby stimulating the local economy through an infusion of health center spending.
- ◆ further **stimulate the local economy** through the indirect expenditures of related sectors and the induced expenditures of new household income generated by the direct and indirect effects.
- ◆ engage in capital development projects, often **acting as catalysts for significant economic revitalization** within their communities by attracting investment and other businesses to the community.

In 2007, Solano County Community Health Centers **injected \$10.1 million of operating expenditures** directly into the local economy.

These expenditures produced additional indirect and induced economic activity of \$6.4 million for **an overall economic impact of \$16.5 million.**

This amount includes about \$10.4 million in Value-Added spending, including personal income. The health centers **directly generated 148 jobs** and indirectly created an estimated 50 jobs as a result of their total operating expenditures.

Summary of 2007 Total Economic Activity Stimulated by Solano County's Community Health Centers			
	Output	Value-added (inc. personal income)	Employment
Direct	\$10,146,870	\$6,721,789	148
Indirect	\$ 2,367,806	\$ 1,331,670	17
Induced	\$ 4,050,874	\$ 2,367,820	33
Total	\$ 16,565,550	\$ 10,421,279	198.0

The above economic impact analysis clearly demonstrates that as a result of the combined effect of their **multiple roles as service providers, employers, and local businesses**, the health centers have a significant community and economic development impact.

To invest in Solano County Community Health Centers is to invest in the economic development of their communities, county, and state.

*Includes Community Medical Centers, Planned Parenthood, and La Clínica de la Raza. Prepared by Capital Link with MIG, Inc. IMPLAN Software Pro version 2.0.1025, 2007 structural matrices, 2007 county-specific multiplier, and the health centers FY07 financial and employment information.

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 a health center’s business operations. IMPLAN was developed by the US Department of Agriculture and the Minnesota IMPLAN Group (MIG) and employs multipliers, specific to each county 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 by a health center 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 a health center 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 center. In other words, the economic activity of the health center 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 center).

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 community health center in providing health care services.