

The Economic Impact of Tennessee Community Health Centers

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

In addition to providing needed health care services, Tennessee Community Health Centers are **powerful “economic engines”** whose business operations significantly impact their communities’ economy.

Tennessee Community Health Centers

- ◆ are often among the **largest employers** in their community.
- ◆ provide **direct employment** for people in the community, 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 local communities by attracting investment and other businesses to the community.



In 2008, Tennessee Community Health Centers **injected \$134.2 million of operating expenditures** directly into the local economy.

These expenditures produced additional indirect and induced economic activity of \$84.5 million for **an overall economic impact of \$218.7 million**.

This amount includes about \$148.1million in Value-Added spending, including personal income. Tennessee Community Health Centers **directly generated 1,663 full-time jobs** and indirectly created an estimated 737 jobs as a result of its total operating expenditures.

Summary of FY 2008 Total Economic Activity Stimulated by 22 of Tennessee's Community Health Centers' Current Operations

	Economic Impact (incl. Value-Added)	Value-Added (incl. personal income)	Employment
Direct	\$ 134,230,148	\$ 99,291,697	1,663
Indirect	\$ 24,796,056	\$ 14,095,708	202
Induced	\$ 59,677,795	\$ 34,723,119	535
Total	\$ 218,703,999	\$ 148,110,524	2,400

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 business, Tennessee Community Health Centers have a significant community and economic development role in their communities.

To invest in Tennessee Community Health Centers is to invest in the economic development of their communities, counties, and the state of Tennessee.

*Prepared by Capital Link with MIG, Inc. IMPLAN Software Pro version 2.0.1025, 2007 structural matrices, 2007 county-specific multiplier, and the health center's 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.