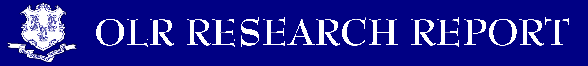
**Location:**  
HEALTH CARE FACILITIES;   
**Scope:**  
Federal laws/regulations; Background;



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| May 27, 2011 |  | 2011-R-0224 |
| **HEALTH CARE CENTERS AND PROVIDERS AS ECONOMIC DRIVERS** | | |
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| By: Jennifer Brady, Research Fellow | | |

You asked for articles addressing community health centers and other health care providers as economic drivers in Connecticut.

**SUMMARY**

Several reports and studies on the positive economic impact of community heath centers (CHCs) and other health care providers on their communities exist. Some of these are summarized below. The available research comes from organizations that appear to have some bias for their particular industry. The authors contend these providers have a positive impact on local economies producing direct, indirect and induced (or “rippling”) effects.

**COMMUNITY HEALTH CENTERS**

CHCs provide comprehensive, culturally competent, primary health care services to medically underserved communities and “vulnerable” populations. They are community-based and patient-directed organizations that serve populations with limited access to health care, people with low incomes, the uninsured, those with limited English proficiency, migrant and seasonal farm workers, homeless individuals and families, and public housing residents.

A Federally Qualified Heath Center (FQHC) is a public or private nonprofit organization that (1) meets certain criteria under the Medicare and Medicaid programs (Sections [1861(aa)(4)](http://www.ssa.gov/OP_Home/ssact/title18/1861.htm) and [1905(I)(2)(B)](http://www.ssa.gov/OP_Home/ssact/title19/1905.htm) of the Social Security Act, respectively) and (2) receives federal funding under the Health Center Program (Section 330 of the Public Health Services Act (PHSA). Connecticut has 10 FQHCs and three FQHC “look-a-like” centers.

**COMMUNITY HEALTH CENTERS AS ECONOMIC DRIVERS**

Several publications suggest that health centers are economic drivers in their local communities. These reports assert that positive economic impacts come from direct, indirect, and induced economic activity. Direct effects come from providing jobs and training and include the total operating expenditures of CHCs. Indirect effects come from the health center's impact on the community when the centers purchase goods and services from local businesses. These other businesses in turn purchase goods and services generating an indirect economic impact. These direct and indirect effects then produce an induced (or “rippling”) effect on economic activity because they lead to an increase in household spending made possible by the increased income provided by the direct and indirect effects.

Recent federal legislation has appropriated significant funding to CHCs, in part because President Obama supports CHCs as a means of providing health care to those in underserved communities. The 2010 federal Affordable Care Act provides $11 billion to CHCs to support construction and renovation projects, and to expand health care services. The 2009 federal American Recovery and Reinvestment Act (ARRA) provided $2 billion to CHCs in various grants.

Below we summarize two reports addressing CHCs as economic drivers in their communities and the effect these infusions of new federal money for CHCs have had on this economic activity.

***“Community Health Centers Lead the Primary Care Revolution”***

The National Association of Community Health Centers published a report in August 2010 addressing the federal Affordable Care Act, ARRA, and the general economic impact of health centers on their communities.

According to this report, health centers generate economic activity and create jobs in their communities. Health centers create direct, indirect, and “rippling” effects. Direct effects stem from providing entry-level jobs, training, and career development. These centers purchase goods and services from local businesses, which lead to indirect effects. New household income is generated through the direct and indirect effects. An increase in household spending produces an induced economic impact creating a rippling effect.

According to this research, in 2009, the economic impact of health centers, excluding most contributions from ARRA funding, amounted to $20 billion. This came from producing approximately 189,000 jobs in the most “economically challenged” neighborhoods. By 2015, the authors estimate that health centers will generate $53.9 billion in total economic activity and create over 284,323 additional full-time equivalent jobs due to the Affordable Care Act. And they suggest every $1 million in federal funding for health center operations yields $1.73 million in economic return.

***Impact in Connecticut.*** Thirteen CHCs (10 FQHCs and three look-a-likes) operate in Connecticut. According to the report, the total economic impact (direct, indirect, and induced effects) of these health centers in 2009 was just under $400 million. This gain is due in part to the creation of an additional 3,100 jobs in these centers and the communities where they are located.

***“The Economic Stimulus: Gauging the Early Effects of ARRA on Health Centers and Medically Underserved Populations and Communities”***

The George Washington University School of Public Health and Health Services published a state-by-state study in February 2010 on the early effects of ARRA funding on health centers and communities. The authors suggest that investments in health centers generated new economic activity in their communities.

According to the study, ARRA appropriated over $2 billion for CHCs. At the time of the study, $1.85 billion had been allocated and this investment generated $3.2 billion in new economic activity in the communities where the CHCs are located. The economic impact was highest in those states with higher rates of unemployment. (CHCs in communities with higher levels of unemployment received greater funding.)

The report's authors estimate that for every $1 million dollars invested, an average of $1.7 million in new economic activity is generated. State specific economic returns range from $1.51 million to $1.81 million per $1 million invested. For Connecticut, the authors estimated that for every $1 million in ARRA funds invested in health center funding, $1.67 million in new economic activity is generated.

Table 1 shows the amount of ARRA awards granted in Connecticut by type of award and the estimated economic impact of these awards. New Access Points awards help either new heath centers receiving funds or new locations that enhance existing access. Increased Demand for Services grants are used for staffing, increasing hours, and expanding existing services. Construction Capital Improvement grants are for construction, renovation, and equipment purchases. Lastly, the Facility Investment Program funds are to renovate exiting health center space or increase space through the construction of a new or expanded services site.

**Table 1: Economic Impact of ARRA Grants Awarded in Connecticut (2009)1**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | New Access Points Awards | Increased Demand for Services Awards | Capital Improvement Program Awards | Facility Investment Program Awards |
| Amount of Grants Awarded | $5,025,000 | $3,887,534 | $11,430,925 | $16,160,675 |
| Estimated Economic Impact | $9,000,000 | $7,000,000 | $18,600,000 | $26,300,000 |

1 The estimated economic impact includes direct, indirect, and induced economic effects. Estimates are measured by using the known direct impact and applying a state-specific “multiplier.”

Source: “The Economic Stimulus: Gauging the Early Effects of ARRA on Health Centers and Medically Underserved Populations and Communities,” Policy Research Brief No. 17, The George Washington University, February 16, 2010.

**OTHER HEALTH CARE PROVIDERS AS ECONOMIC DRIVERS**

Three recent reports have addressed the economic impact of heath care in Connecticut in specific industries: nursing home care, office-based physicians, and hospitals.

***Nursing Home Care***

A report by The Alliance for Quality Nursing Home Care (February 2011) concluded that nursing homes make significant economic contributions to their communities. The industry payroll was about $49 billion in 2009. In addition to the 1.6 million jobs within nursing homes, the industry supports about 3.3 million jobs in other sectors. The authors estimate that the total impact of nursing home spending on Connecticut's economy in 2009 was about $5.2 billion, including 38,532 nursing home jobs and an additional 16,000 jobs in other sectors.

***Office-Based Physicians***

The American Medical Association asserted in a February 2011 report that the office-based physician industry supported $1.4 trillion in total economic activity in 2009. According to this report, Connecticut's office-based physicians support 51,962 jobs, contribute $14 billion in economic activity, generate $10.6 billion in wages and benefits, and provide $653.6 million in state and local tax revenue.

***Connecticut Hospitals***

The Connecticut Hospital Association's (CHA) report, “Connecticut Hospitals: Improving Community Health, Strengthening Connecticut's Economy” (March 2011) suggests that Connecticut hospitals contribute $17.6 billion to the state and local economies. Connecticut's hospitals and health systems have a total annual payroll of $4.6 billion. Hospital employees spend their income on groceries, clothing, mortgage payments, rent, and other goods and services, generating approximately $4.9 billion in economic activity and creating an additional 44,250 jobs for local economies.

The state's hospitals purchase goods and services, which create a flow of funds from the hospitals to local businesses and the communities they serve. This includes funds spent to provide health care and those funds that ripple through the economy. These activities generate approximately $6.8 billion annually in economic activity in the state, of which $3.3 billion is attributed to the goods and services the hospitals use in providing healthcare. The additional $3.5 billion is due to the “ripple” effect.

CHA further asserts that Connecticut hospitals' capital spending generates an additional $1.3 billion of economic activity each year, including $628 million on buildings and equipment and $662 million as part of the “rippling” effect.

**RESOURCES**

***Publications Listed in this Report***

“Community Health Centers Lead the Primary Care Revolution,” The National Association of Community Health Centers, August 2010,

<http://www.nachc.com/client/Primary_Care_Revolution_Final.pdf>

“The Economic Stimulus: Gauging the Early Effects of ARRA on Health Centers and Medically Underserved Populations and Communities,” Policy Research Brief No. 17, The George Washington University, February 16, 2010,

<http://www.gwumc.edu/sphhs/departments/healthpolicy/dhp_publications/pub_uploads/dhpPublication_C41AE130-5056-9D20-3D65728F2361CFAF.pdf>

“Economic Contribution of Nursing Facilities,” The Alliance for Quality Nursing Home Care, February, 2011,

<http://www.aqnhc.org/www/file/AQNHC-CC-Economic%20Contribution-full-FINAL.pdf>.

“The State-Level Economic Impact of Office-Based Physicians,” The American Medical Association, February 2011,

<http://www.ama-assn.org/resources/doc/arc/economic-impact/economic-impact-report.pdf>. “Physicians strengthen Connecticut's economy,” (highlights Connecticut information from the above report),

<http://www.ama-assn.org/resources/doc/arc/economic-impact/ct.pdf>.

“Connecticut Hospitals: Improving Community Health, Strengthening Connecticut's Economy,” Connecticut Hospital Association, 2011,

<http://www.chime.org/documents/economicbenefit/economicbenefit2011.pdf>

***Additional Resources***

OLR Backgrounder 2010-R-0427, Community Health Centers and Federal Health Care Reform (specifically the Patient Protection and Affordable Care Act), <http://www.cga.ct.gov/2010/rpt/2010-R-0427.htm>.

Ellen-Marie Whelan, “Interactive Map: Economic Benefits of Community Health Centers, Projected Economic Activity and Jobs Created by Community Health Centers by State in 2015,” Center for American Progress, August 9, 2010, <http://www.americanprogress.org/issues/2010/08/chc_econ_impact_map.html>.

“Access Granted: The Primary Care Payoff,” National Association of Community Health Centers, August 2007, <http://www.nachc.com/client/documents/issues-advocacy/policy-library/research-data/research-reports/Access_Granted_FULL_REPORT.pdf>.

Scott Sporte & Annie Donovan, “Community Health Centers: A Vital Strategy for Community Development,” Federal Reserve Bank of San Francisco, Investment Review Volume 5 Issue 3, 2009,

<http://www.frbsf.org/publications/community/review/vol5_issue3/sporte_donovan.pdf>.

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