# 2024

# Economic Impacts and Contribution of Lee Health


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LEE HEALTH

LeeHealth.org

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# EXECUTIVE SUMMARY

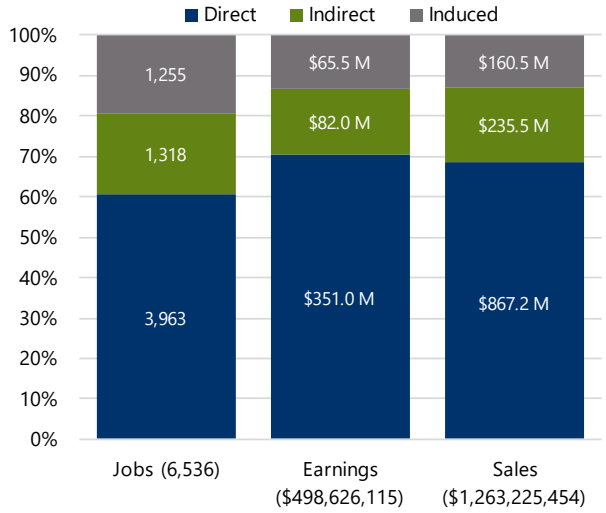
Lee Health is among Florida's largest non-profit hospital systems and the foremost healthcare provider in Southwest Florida. In addition to the annual economic contributions of its ongoing operations, including the direct employment of over **16,000 jobs** (both permanent and contract), Lee Health will generate one-time economic impacts through its over **$1.5 billion in planned capital improvements** through 2028. This study provides an objective, third-party analysis of the annual economic contributions associated with direct spending and jobs onsite and the projected one-time economic impacts of capital improvement projects in the next five years.

## Economic Impact of Capital Improvements

Capital improvements through FY2028 are expected to generate a one-time benefit of **1,307 jobs**, **$99.7 million** in associated earnings, and **$252.6 million in sales** spent within Lee County annually over the next five years.

Over the 5-year period, this sums to 6,536 jobs, over $498.6 million in earnings, and almost $1.3 billion in sales spent locally within Lee County.

**Total 5-Year Economic Impacts of Capital Improvements on Lee County**



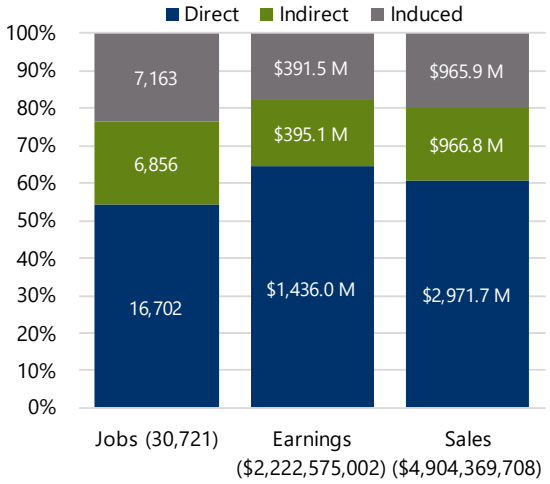

**Source:** Lightcast, Camoin Associates

## Annual Economic Contribution of Lee Health Operations

The ongoing operation of Lee Health facilities generates an annual economic contribution of **30,721 jobs**, over **$2.2 billion in associated earnings**, and over **$4.9 billion in sales** within the Lee County economy. Put in context, **one out of every ten jobs** in Lee County and **$1 of every $10 in earnings in Lee County is supported by the operations of Lee Health.**

**Direct** impacts are generated by the construction spending in the city, on-site jobs, and new household spending. **Indirect** impacts accrue through business-to-business spending in the city and **induced** impacts result from employee spending. All impacts would be foregone without the development.

**Annual Economic Contribution of Lee Health Operations Lee County**




**Source:** Lightcast, Camoin Associates

# PROJECT CONTEXT

Lee Health is one of Florida's largest non-profit public health systems, operating primarily throughout Lee County in Southwestern Florida. Each year, Lee Health employs over 16,000 jobs within the county – approximately two-thirds of the county's total healthcare employment – supporting nearly $2 billion in total payroll throughout Lee County. This study provides an analysis of the ongoing annual economic contributions of Lee Health's operations to the Lee County economy, as well as an analysis of the projected economic impacts of the system's planned capital improvements through 2028.

## Methodology

### Study Area

The study area used in this analysis is Lee County, Florida. Throughout the report, **"in region" refers to activity occurring within Lee County.**

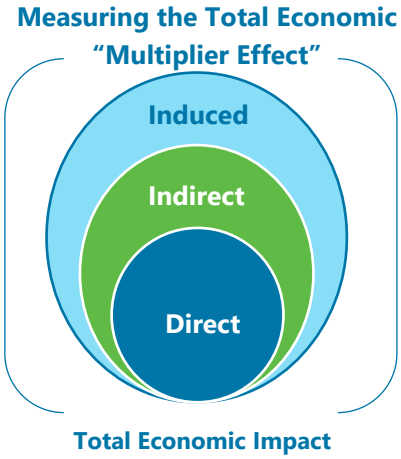
***Map 1: Study Area***

## Modeling Process

Both an economic contribution and economic impact analysis was conducted to quantify how Lee Health generates economic activity throughout the local economy. These analyses include not only the "direct" economic activity but also the secondary economic activity that is generated throughout the economy through the economic "multiplier" effect. Considered in the analysis are:

- **Direct:** The most immediate economic activity, which includes the ongoing, annual jobs and payroll as well as one-time capital improvement spending. This is considered the direct contribution or impact.
- **Indirect:** Indirect effects occur at businesses within the study regions that supply goods and services to the health system and re-spend a portion of that revenue within the region. In other words, for every dollar spent at a local supplier, a portion of that dollar will again be spent on goods and services at other businesses in the region. This is considered the indirect contribution or impact.
- **Induced:** When workers at both the health system and indirectly impacted businesses spend a portion of their wages at businesses within the county for things such as retail goods and services. The portion of the spending by new businesses that are paid to workers and re-spent in the County economy is considered the induced contribution or impact.

The sum of the direct, indirect, and induced impacts equals the total economic impact. The Lightcast input-output model is used to calculate the total economic impact, including the three different types of impacts.




**Modeling Software**

Lightcast designed the input-output model used in this analysis. The Lightcast model allows the analyst to input the amount of direct economic activity (spending, earnings, or jobs) occurring within the region and uses the direct inputs to estimate the spillover effects that the spending, earnings, or jobs have as these dollars circulate throughout the economy. This is captured in the indirect and induced contribution or impacts and is commonly referred to as the "multiplier effect." See Appendix A for more information on economic impact analysis.

**What is "Contribution" vs. "Impact"?**

Economic impacts typically encapsulate the impact that a *new* development has on a local economy. This type of analysis uses net new jobs, earnings, or spending as a direct input to the model. Net New is defined below.

On the other hand, economic contributions describe the total economic activity that is supported by the full, ongoing operations of an organization or industry, regardless of whether the direct activity is new. Economic Contributions describe the total jobs, earnings, and sales that would not occur if that organization or industry did not exist.

**What does "Net New" Mean?**

When looking at the economic impacts of new development, it's important to look only at the economic changes that would not happen in the absence of the new facilities. These effects are the "net new" effect: purchases made only as a result of the company or project in question.

**Definition of a "Job"**

A "job" is equal to one person employed for some amount of time (part-time, full-time, or temporary) during the study period.

# ECONOMIC IMPACTS OF CAPITAL IMPROVEMENTS

The estimate of direct economic activity generated by capital improvements as well as ongoing operations is used as the direct input for the economic impact model. Camoin Associates uses the input-output model designed by Lightcast to calculate total economic impacts. Lightcast allows the analyst to input the amount of new direct economic activity (spending) occurring within the region and uses the direct inputs to estimate the spillover effects that the net new spending has as these dollars circulate through the regional or local economy. This is captured in the indirect and induced impacts and is commonly referred to as the "multiplier effect." See Attachment A for more information on economic impact analysis.

## Capital Improvements Assumptions

According to Lee Health, the total capital improvements set to occur in the next five years total over $1.5 billion, or **$304.9 million on average each year.** Approximately $1.02 billion will be spent on construction, while Lee Health estimates that approximately $500 million will be spent on routine capital expenditure. Based on supply and demand data from Lightcast and Lee Health estimates, Camoin Associates assumes that 70% of construction spending and 30% of routine capital spending will be sourced from Lee County businesses. Spending within Lee County is the "net new" spending that will be used as the direct input to model construction-related economic impacts. Net new capital improvement spending used in the model is an average of $173.4 million annually.

**Capital Improvements Impacts Assumptions**

| | 5-Year Total | Average Annual Spending |
|---|---|---|
| **Total Capital Improvements, 2024-2028** | **$1,524,594,775** | **$304,918,955** |
| Construction | $1,024,594,775 | $204,918,955 |
| Est. Share of Construction to be Sourced from Lee County Businesses | 70% | 70% |
| Est Construction Sourced from Lee County Businesses | $717,216,343 | $143,443,269 |
| Routine Capital Spend | $500,000,000 | $100,000,000 |
| Est. Share of Routine Capital Spend to be sourced within Lee County | 30% | 30% |
| Est. Routine Capital Spend Sourced from Lee County Businesses | $150,000,000 | $30,000,000 |
| **Total New Lee County Capital Improvement Spending** | **$867,216,343** | **$173,443,269** |

**Source:** Lee Health, Lightcast, Camoin Associates

## Capital Improvements Impacts

Based on an annual average of approximately $173.4 million of net new direct spending in Lee County associated with Lee Health capital improvements, it is expected that there would be a total annual average of over $252.645 million in related spending, supporting a total of 1,307 jobs and about $99.7 million in earnings on average each year during the construction period through 2028. Over the five-year period, this equates to a **total economic impact of nearly $1.3 billion in spending, 6,536 jobs, and $498.6 million in earnings.**

**Annual Economic Impact - Capital Improvements**

| | Jobs | Earnings | Sales |
|---|---|---|---|
| Direct | 793 | $70,208,685 | $173,443,269 |
| Indirect | 264 | $16,407,429 | $47,105,754 |
| Induced | 251 | $13,109,108 | $32,096,068 |
| **Total** | **1,307** | **$99,725,223** | **$252,645,091** |

**Total 5-year Economic Impacts - Capital Improvements**

| | Jobs | Earnings | Sales |
|---|---|---|---|
| Direct | 3,963 | $351,043,427 | $867,216,343 |
| Indirect | 1,318 | $82,037,147 | $235,528,771 |
| Induced | 1,255 | $65,545,541 | $160,480,341 |
| **Total** | **6,536** | **$498,626,115** | **$1,263,225,454** |

**Source:** Lightcast, Camoin Associates

# ANNUAL ECONOMIC CONTRIBUTION OF LEE HEALTH OPERATIONS

In addition to the one-time economic impacts of capital improvements, Lee Health makes an economic contribution to the Lee Health economy on an annual basis through its permanent operations of healthcare facilities. Lee Health's total employment held by both on-site employees as well as contracted workers is used as the direct input when modeling the contributions of Lee Health's on-site operations.

In addition to these direct, on-site jobs, spillover effects occur as Lee Health purchases goods and services from other Lee Health businesses and as both Lee Health employees and workers at local suppliers circulate their earnings throughout the local economy. This is captured in the indirect and induced impacts, commonly referred to as the "multiplier effect."

## On-Site Operations Impacts

According to Lee Health, the health system **directly supports 16,702 jobs**, both permanent and contracted. Altogether these jobs directly provide earnings of **over $1.4 billion annually.** Acute Care accounts for the largest share of Lee Health's employment, with 61% of total work hours. Other major employment categories within the health system include Offices of Physicians and Corporate Administration.

**Share of Lee Health Employment by Facility**

| Facility Type | Share of Total Employment |
|---|---|
| Acute Care | 61% |
| Offices of Physicians | 15% |
| Corporate Administration | 13% |
| Hospital Outpatient Department | 7% |
| Skilled Nursing Facility | 2% |
| Home Health | 1% |
| Rehabilitation | 1% |
| **Total** | **100%** |

**Source:** Lee Health

Additionally, Lee Health supports jobs with significantly higher earnings compared to Lee County's overall average. Based on total earnings of over $1.4 billion, the average annual earnings per job of permanent employees is approximately $93,750, compared to $69,094 on average across all jobs in Lee County. In other words, **Lee Health's jobs pay nearly $25,000 more than the typical job in Lee County, on average**.

**Average Annual Earnings per Job**

| Employment Type | Avg. Annual Earnings per Job |
|---|---|
| **Lee Health** | |
| Permanent on-site employment | $93,758 |
| Contracted on-site employment | $20,339 |
| **Overall Economy** | |
| All Jobs in Lee County | $69,094 |

**Source:** Lee Health, Lightcast, Camoin Associates

The table below outlines the annual economic contribution of these on-site operations. Including indirect and induced impacts, Lee Health annually contributes **30,721 jobs**, over **$2.2 billion in earnings**, and over **$4.9 billion in total sales** to the Lee County economy.

To put this in context, **Lee Health supports approximately 10% of Lee County's total employment and total earnings.**[1]

**Annual Economic Contribution - On-Site Employment**

| | Jobs | Earnings | Sales |
|---|---|---|---|
| Direct | 16,702 | $1,436,000,000 | $2,971,658,056 |
| Indirect | 6,856 | $395,083,875 | $966,824,088 |
| Induced | 7,163 | $391,491,128 | $965,887,564 |
| **Total** | **30,721** | **$2,222,575,002** | **$4,904,369,708** |

**Source:** Lightcast, Camoin Associates

[1] According to Lightcast, Lee County had 322,277 jobs and $22 billion in total earnings in 2023.

# ATTACHMENT A: WHAT IS ECONOMIC IMPACT ANALYSIS?

The purpose of conducting an economic impact study is to ascertain the total cumulative changes in employment, earnings and output in a given economy due to some initial "change in final demand". To understand the meaning of "change in final demand", consider the installation of a new widget manufacturer in Anytown, USA. The widget manufacturer sells $1 million worth of its widgets per year exclusively to consumers in Canada. Therefore, the annual change in final demand in the United States is $1 million because dollars are flowing in from outside the United States and are therefore "new" dollars in the economy.

This change in final demand translates into the first round of buying and selling that occurs in an economy. For example, the widget manufacturer must buy its inputs of production (electricity, steel, etc.), must lease or purchase property and pay its workers. This first round is commonly referred to as the "Direct Effects" of the change in final demand and is the basis of additional rounds of buying and selling described below.

To continue this example, the widget manufacturer's vendors (the supplier of electricity and the supplier of steel) will enjoy additional output (i.e., sales) that will sustain their businesses and cause them to make additional purchases in the economy. The steel producer will need more pig iron and the electric company will purchase additional power from generation entities. In this second round, some of those additional purchases will be made in the US economy and some will "leak out". What remains will cause a third round (with leakage) and a fourth (and so on) in ever-diminishing rounds of industry-to-industry purchases. Finally, the widget manufacturer has employees who will naturally spend their wages. Again, those wages spent will either be for local goods and services or will "leak" out of the economy. The purchases of local goods and services will then stimulate other local economic activity. Together, these effects are referred to as the "Indirect Effects" of the change in final demand.

Therefore, the total economic impact resulting from the new widget manufacturer is the initial $1 million of new money (i.e., Direct Effects) flowing in the US economy, plus the Indirect Effects. The ratio of Total Effects to Direct Effects is called the "multiplier effect" and is often reported as a dollar-of-impact per dollar-of-change. Therefore, a multiplier of 2.4 means that for every dollar ($1) of change in final demand, an additional $1.40 of indirect economic activity occurs for a total of $2.40.

Key information for the reader to retain is that this type of analysis requires rigorous and careful consideration of the geography selected (i.e., how the "local economy" is defined) and the implications of the geography on the computation of the change in final demand. If this analysis wanted to consider the impact of the widget manufacturer on the entire North American continent, it would have to conclude that the change in final demand is zero and therefore the economic impact is zero. This is because the $1 million of widgets being purchased by Canadians is not causing total North American demand to increase by $1 million. Presumably, those Canadian purchasers will have $1 million less to spend on other items and the effects of additional widget production will be cancelled out by a commensurate reduction in the purchases of other goods and services.

Changes in final demand, and therefore Direct Effects, can occur in a number of circumstances. The above example is easiest to understand: the effect of a manufacturer producing locally but selling globally. If, however, 100% of domestic demand for a good is being met by foreign suppliers (say, DVD players being imported into the US from Korea and Japan), locating a manufacturer of DVD players in the US will cause a change in final demand because all of those dollars currently leaving the US economy will instead remain. A situation can be envisioned whereby a producer is serving both local and foreign demand, and an impact analysis would have to be careful in calculating how many "new" dollars the producer would be causing to occur domestically.

# ATTACHMENT B: DATA SOURCES

**Lightcast** (formerly Emsi Burning Glass) is a global leader in labor market analytics, offering a data platform that gives a comprehensive, nuanced, and up-to-date picture of labor markets at all scales from national to local. Key components of the platform include traditional labor market information, job postings analytics, talent profile data, compensation data, and skills analytics. Lightcast integrates government data with information from online job postings, talent profiles, and resumes to produce timely intelligence on the state of the labor market. Job and compensation data is available by industry, occupation, educational program, and skill type. Click to learn more.

# ABOUT CAMOIN ASSOCIATES

As the nation's only full-service economic development and lead generation consulting firm, Camoin Associates empowers communities through human connection backed by robust analytics.

Since 1999, Camoin Associates has helped local and state governments, economic development organizations, nonprofit organizations, and private businesses across the country generate economic results marked by resiliency and prosperity.

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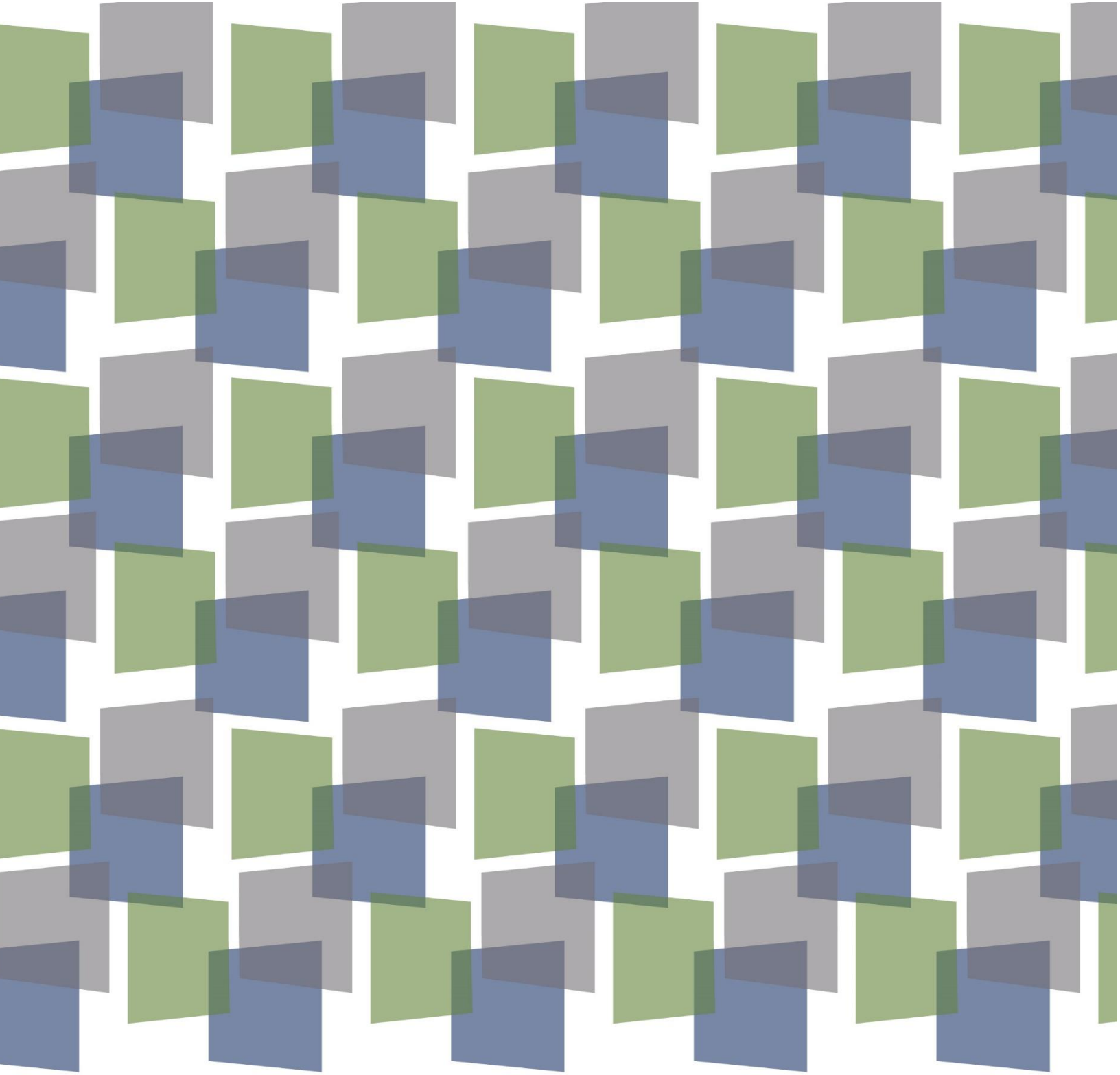

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