



Economic Impact Report

Mercy Health at work in the State of Ohio

Compassionate care that improves our communities

Our Mission is clear: we are called to extend the healing ministry of Jesus by improving the health of our communities. We know healthier communities are prosperous, vibrant places where people live, work and play in safety and security. We contribute to that prosperity through jobs and investment that make each community in Ohio a better place to live.

In this newly-issued economic impact report in partnership with the University of Cincinnati Economics Center, you'll see that impact from 2016. Mercy Health contributed \$10.1 billion to the Ohio economy in 2016, up almost 13% from five years ago. Among the study's findings:

- We employ more than 31,430 people in Ohio, and those jobs support more than 44,000 additional jobs.
- Our average capital expenditures of nearly \$400 million annually added more than 5,700 jobs and \$283 million in household earnings per year.
- Our employees paid nearly \$257.8 million in sales, income, property and other tax revenue.
- Counties we serve include 33% of all Ohio residents (3.8 million people), making one of every three Ohio residents a past, present or potential Mercy Health patient.
- In the core counties of four of our regions — Lorain, Lima, Youngstown and Springfield — Mercy Health is the largest employer. In the other two regions, we are among the top five employers.

Fulfilling our Mission goes beyond jobs and capital investment. We contributed \$328 million in Ohio to community benefit — ranging from charity care to programs that address the scourge of opiate addiction. We do this because it's the right thing to do, in the spirit of our founders who served poor and vulnerable populations.

Thank you to the UC Economics Center for this study. Most of all, thank you to the women and men of Mercy Health, who work every day in service to our patients and communities.

Be well,



Katherine Vestal
Board Chair, Mercy Health



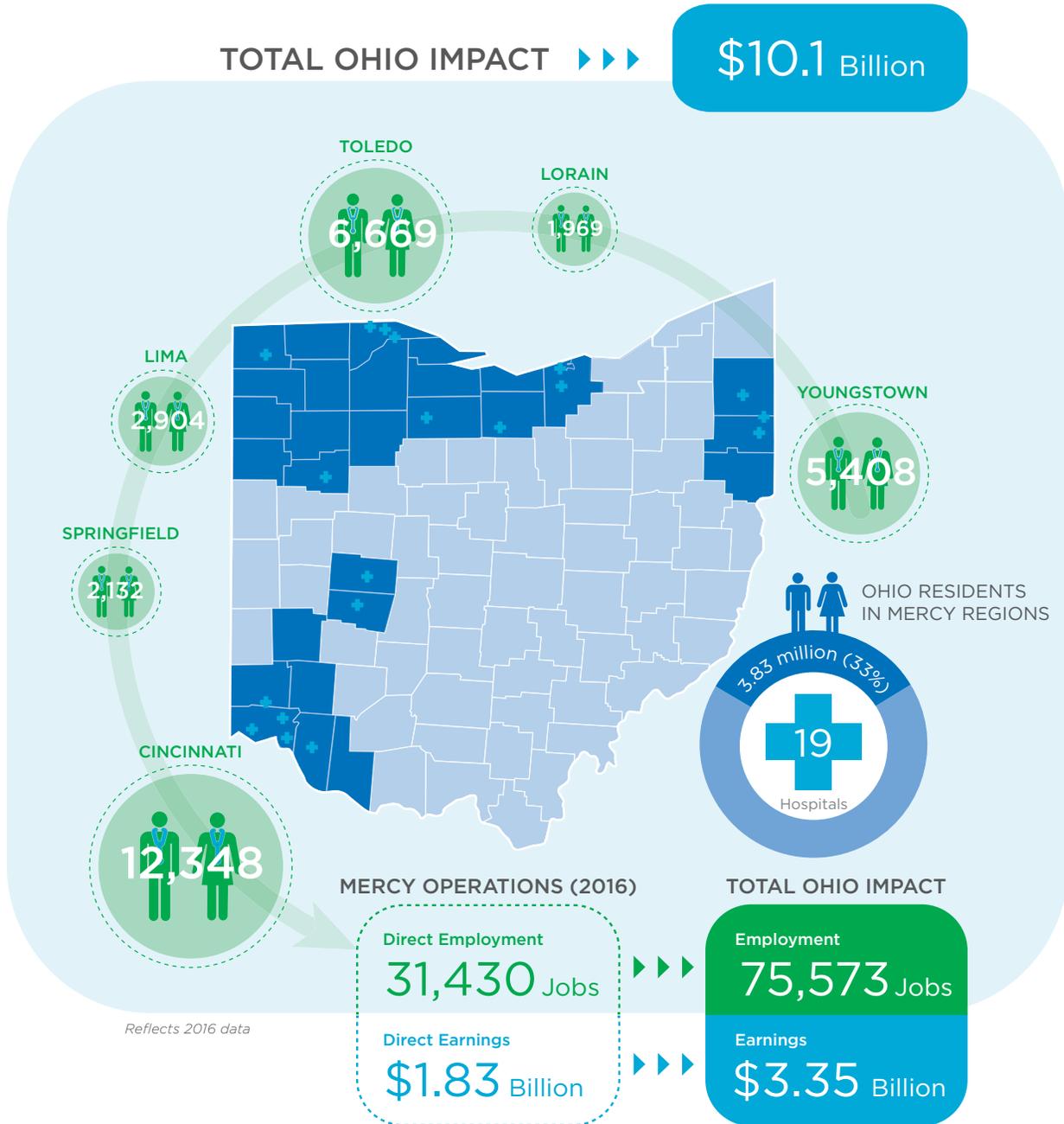
John M. Starcher, Jr.
President & CEO, Mercy Health

The Economic Impact of Mercy Health on Ohio



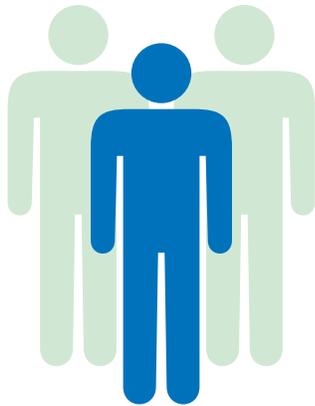
TOTAL OHIO IMPACT >>>

\$10.1 Billion



Size of Mercy Health's operations

With six hospital-based regional networks¹ in the State, Mercy Health provided quality healthcare across a wider portion of Ohio than any other health system. Collectively, Mercy Health's networks, which encompassed 26 of the State's 88 counties, included 33% of all Ohio residents (3.8 million of 11.6 million).



**1 IN EVERY 3
OHIO RESIDENTS
IS A PAST, PRESENT
OR POTENTIAL
MERCY HEALTH PATIENT**

Mercy Health employment and earnings

Serving the healthcare needs of Ohio residents has made Mercy Health the largest employer in the central communities in four of its regions: Mahoning County, Lorain County, Allen County and Clark County. In the Northwest Ohio region, it was the third largest employer. For the Southwest Ohio region, Mercy Health, including its Home Office, was the fourth largest employer.²

Statewide, Mercy Health employed 31,430 people in 801 points of care and other facilities, including 19 hospitals. According to the latest report from the Ohio Department of Development, this made Mercy Health the fifth largest employer in Ohio. Between 2012 and 2016, the number of persons directly employed by Mercy Health increased by three percent.

Mercy Health points of care, other facilities, and jobs in 2016, by region

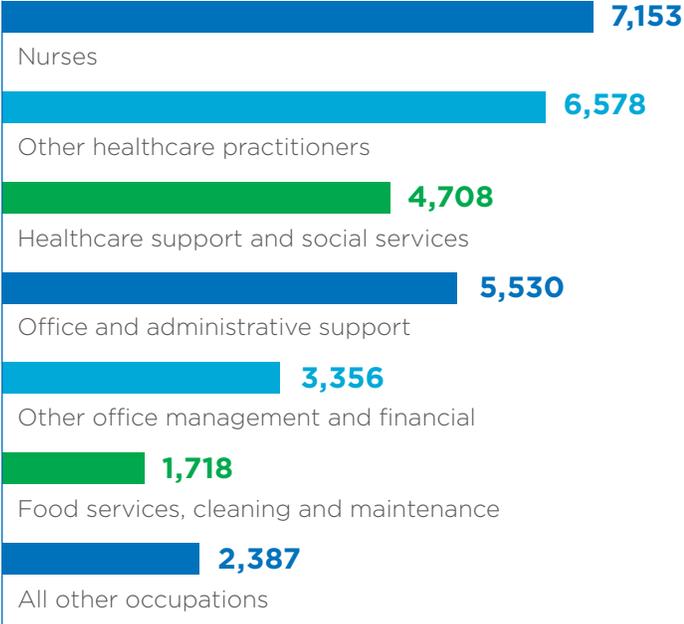
Region	Hospitals	Points of care	Other facilities	Jobs
Youngstown	3	110	22	5,408
Lorain	2	39	26	1,969
Toledo	6	222	4	6,669
Lima	1	31	8	2,904
Springfield	2	42	5	2,132
Cincinnati	5	243	30	12,348
Total	19	687	95	31,430

Source: Data provided by Mercy Health

- 1 These networks are primarily based in Allen, Clark, Hamilton, Lorain, Lucas and Mahoning Counties.
- 2 All employer ranking information was obtained from the respective County's website, primarily through comprehensive annual financial reports.
- 3 These earnings include only the wages and salaries of Mercy Health employees. Other personnel costs, which include benefits as well as wages paid to temporary and agency staff, were omitted.



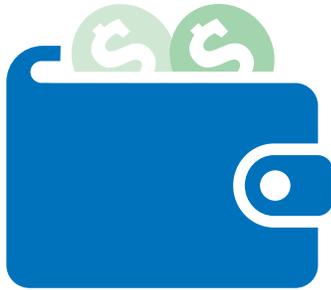
2016 Mercy Health employment, by occupation



MERCY HEALTH PAID ITS 31,430 EMPLOYEES \$1.8 BILLION³ IN 2016, WHICH RESULTED IN AN ESTIMATED AVERAGE HOURLY WAGE OF \$28.00

Source: Employment data provided by Mercy Health





**MERCY HEALTH'S
EMPLOYEE WAGES
SUPPORTED OVER
\$1.5 BILLION IN
INDIRECT WAGES
FOR THE STATE
OF OHIO**

Operating expenditures impact

Operating expenditures by Mercy Health included employee payroll and benefits,⁴ non-employee personnel expenses, and spending on all supplies and services purchased from outside vendors.

Mercy Health operating expenditures In 2016, by region

Region	Hospital operations	Other operations	Total
Youngstown	\$509,965,355	\$154,611,051	\$664,576,406
Lorain	\$173,694,976	\$69,107,832	\$242,802,808
Toledo	\$674,341,628	\$249,595,748	\$923,937,376
Lima	\$264,807,914	\$120,463,070	\$385,270,984
Springfield	\$186,064,175	\$61,198,262	\$247,262,437
Cincinnati	\$745,901,449	\$387,755,206	\$1,133,656,655
Home Office support for regions	—	\$615,968,732	\$615,968,732
Total	\$2,554,775,497	\$1,658,699,901	\$4,213,475,398

Source: Data provided by Mercy Health

2016 Economic output of Mercy Health operations on the state of Ohio

	Output	Jobs	Earnings
Direct	\$4,213,475,398	31,430	\$1,830,368,256
Indirect	\$5,019,470,657	44,143	\$1,517,693,293
Total	\$9,232,946,055	75,573	\$3,348,061,549

Source: Economics Center calculations using RIMS II and EMSI industry multipliers

Wages paid to Mercy Health employees totaled \$1.8 billion. This spending supported another \$1.5 billion in indirect wages for the State of Ohio. This resulted in a total earnings impact of \$3.4 billion. Additionally, the spending of Mercy Health and its 31,430 employees generated another 44,143 indirect jobs, as this direct spending required other businesses to employ workers.

The indirect jobs from Mercy Health's expenditures were spread across a range of industries. Real estate, retail trade and administrative services were the three non-healthcare industries that indirectly benefited most from Mercy Health's operating expenditures.

⁴ These payroll and benefit earnings figures are detailed in the table on page 4 and are not included above.

2016 Indirect jobs impact In Ohio, by sector

Industry	Proportion (%)
Real estate and rental/leasing	14.5
Healthcare and social services	12.3
Retail trade	11.6
Administrative and waste management services	9.7
Finance and insurance	7.8
Food service and drinking places	7.7
Professional, scientific and technical services	6.5
Manufacturing	5.6
Other industry sectors ⁵	24.3

Source: Economics Center calculations using RIMS II and EMSI industry multipliers



**MERCY HEALTH'S
CAPITAL EXPENDITURES
HAD A TOTAL
EMPLOYMENT IMPACT
OF 5,709 JOBS**

Capital expenditures impact

From 2014 to 2016, Mercy Health expanded and upgraded its facilities throughout the State to maintain its commitment to providing safe, affordable, high-quality healthcare.

Mercy Health's capital expenditures, 2014–2016 average by type and region

Region	Construction	Information technology	Other capital expenditures
Youngstown	\$26,084,092	\$1,453,466	\$19,298,725
Lorain	\$2,965,292	\$509,864	\$7,408,125
Toledo	\$18,025,705	\$775,483	\$42,001,414
Lima	\$2,168,652	\$280,833	\$8,882,729
Springfield	\$4,841,481	\$698,246	\$9,154,167
Cincinnati	\$65,206,625	\$3,254,634	\$43,376,230
Home Office support for regions	\$1,289,176	\$64,504,677	\$75,592,493
Total	\$120,581,023	\$71,477,203	\$205,713,883

Source: Capital Expenditure data provided by Mercy Health

⁵ The other industry sectors are: Agriculture, forestry, fishing and hunting; Mining; Construction; Wholesale trade; Transportation and warehousing; Utilities; Information; Management of companies and enterprises; Educational services; Arts, entertainment, and recreation; Accommodation.



**MERCY HEALTH'S
DIRECT AND INDIRECT
IMPACT ON JOBS
INCREASED 26%
COMPARED TO ITS
2011 IMPACT**

Mercy Health spent an average of \$397.7 million annually on capital expenditures between 2014–2016, which generated an average indirect output of \$433.4 million each year. Combined, the direct and indirect impacts amounted to an average total economic output of \$831.2 million annually from capital expenditures made by Mercy Health.

These capital expenditures generated an average total earnings impact of \$283.4 million between 2014–2016 and an average total employment impact of 5,709 jobs.

2014–2016 Average economic impact of Mercy Health’s capital expenditures

	Output	Jobs	Earnings
Direct	\$397,772,109	2,549	\$156,120,815
Indirect	\$433,397,355	3,160	\$127,325,112
Total	\$831,169,464	5,709	\$283,445,927

Source: Economics Center calculations using RIMS II and EMSI industry multipliers

Combined economic impact

When combined, Mercy Health’s 2016 operating and average annual capital expenditures from 2014–2016 consisted of a total economic output of approximately \$10.1 billion, which included more than \$3.6 billion in earnings. Mercy Health’s combined economic impact also included the generation of 81,345 jobs, an increase of roughly 26% compared with its 2011 employment impact.

Combined economic impact of Mercy Health on the state of Ohio (2016)

	Output	Jobs	Earnings
Direct	\$4,611,247,507	33,979	\$1,986,489,071
Indirect	\$5,452,868,012	47,303	\$1,645,018,405
Total	\$10,064,115,519	81,282	\$3,631,507,476

Source: Economics Center calculations using RIMS II and EMSI industry multipliers

Fiscal impacts: local and state taxes

Mercy Health was a major generator of income, sales and other taxes for local governments and the State of Ohio. In 2016, Mercy Health's fiscal impact from operating and capital expenditures was approximately \$257.8 million. This included \$174.2 million in state tax revenue and \$83.6 million in tax revenue accruing to local governments. In regards to the sales tax, these revenues are primarily produced by the household spending that resulted from Mercy Health's economic output.

State and local fiscal impacts of Mercy Health (2016)

	Ohio	Local	Total
Sales Tax	\$88,622,100	\$18,014,200	\$106,636,300
Income Tax	\$85,527,475	\$57,053,286	\$142,580,761
Property Tax	—	\$5,605,722	\$5,605,722
Other Taxes	—	\$3,003,507	\$3,003,507
Total	\$120,581,023	\$71,477,203	\$205,713,883

Source: Economics Center calculations using data provided by Mercy Health



**MERCY HEALTH
HAS MORE THAN
DOUBLED ITS
DIVERSITY SPENDING
FROM 2012 TO
\$94.2 MILLION**

Diversity spending

Mercy Health has made a concerted effort to change its purchasing practices to increase the proportion of its purchases that are made from vendors who are women or minority-owned business enterprises (W/MBEs).

Across its six regional networks in the State of Ohio, Mercy Health had more than doubled its diversity spending from an average of \$38.8 million during 2009–2011 to an average of \$94.2 million⁶ over the past five years (2012–2016), more than two times the previous level.

Approximately one third of this spending goes to contractors on construction projects. In the past five years, construction spending with these vendors averaged \$32.4 million, but it ranged from \$20.4 to \$48.4 million. On the other hand, purchases of other supplies and services were more consistent, averaged at \$61.8 million and fluctuating between \$54.5 and \$68.5 million.

Purchases from veteran-owned businesses represented a small but growing piece of Mercy Health's diversity spending program. Although this part of the program was just getting started, spending increased from \$360,000 in 2014 to \$864,000 in 2016.

⁶ The annual diversity spending data provided by Mercy Health from 2009–2011 and 2012–2015 was adjusted to 2016 dollar amounts.



**MERCY HEALTH
PROVIDES NEARLY
\$1 MILLION A DAY
OF COMMUNITY
BENEFIT PROGRAMS
AND SERVICES**

Community benefit

In 2016, Mercy Health spent a total of \$328.3 million in the region, or more than \$6.3 million each week, on uncompensated care and other wellness benefits for the community. This amount was equal to approximately 4% of Mercy Health's total operating expenditures in the State of Ohio.

The impact of such spending directly benefited the unemployed, low-income, and uninsured persons in the State. While such community impacts vary, spending such as this enhanced the general health and well-being of those residing in one of Mercy Health's regional networks — or those without the ability to pay for care. In fact, roughly 76% of the community benefit spending made by Mercy Health was dedicated to uncompensated care. The remainder, which supported wellness programs and other efforts to help improve the community's health, accounted for nearly \$1.5 million per week in expenditures.

New money

Three of Mercy Health's regions located in areas where Ohio borders other states attracted significantly larger percentages of out-of-state patients. Compared to the other three regions, Youngstown hospitals cared for four times as many out-of-state patients, Cincinnati hospitals cared for seven times as many, and Toledo hospitals cared for 10 times as many out-of-state patients.

When hospitals care for out-of-state patients, they are exporting their services, which results in new money coming into the Ohio economy. In 2016, Mercy Health's hospitals provided \$316.0 million in such services. This amount is equivalent to having a 125 to 150 bed hospital that served only out-of-state patients.

Graduate medical education

An important aspect of Mercy Health's employment comes from the Graduate Education Program. Through this program, staff at Mercy Health hospitals includes 367 medical residents⁷ who received training from the doctors at these hospitals. During their training, these residents were able to experience working in one of Mercy Health's regions, and some may chose to join Mercy Health or otherwise practice in one of these communities upon completion of their residency.

⁷ This refers to all occupations requiring a medical residency.

One team

ONE MINISTRY, SERVING MANY COMMUNITIES

We are one ministry serving six regions in Ohio and two in Kentucky, pursuing one Mission to improve the health of our communities, emphasizing people who are poor and under-served. Together, our passion is to make lives better and make healthcare easier.

Serving in your community

Mercy Health — Cincinnati

Mercy Health — Kentucky

Mercy Health — Lima
(St. Rita's Health Partners)

Mercy Health — Lorain

Mercy Health — Springfield
(Community Mercy Health Partners)

Mercy Health — Toledo

Mercy Health — Youngstown
(Humility of Mary Health Partners)

Serving through our partners

Akron — Summa Health

Mercy Health

Patient encounters (2016): **6.3 million**

Places to receive care: **Nearly 500**

Hospitals: **23** (OH and KY)

Senior health and housing facilities: **Seven**

Home health agencies: **Seven**

Employees: **More than 33,500** (OH and KY)

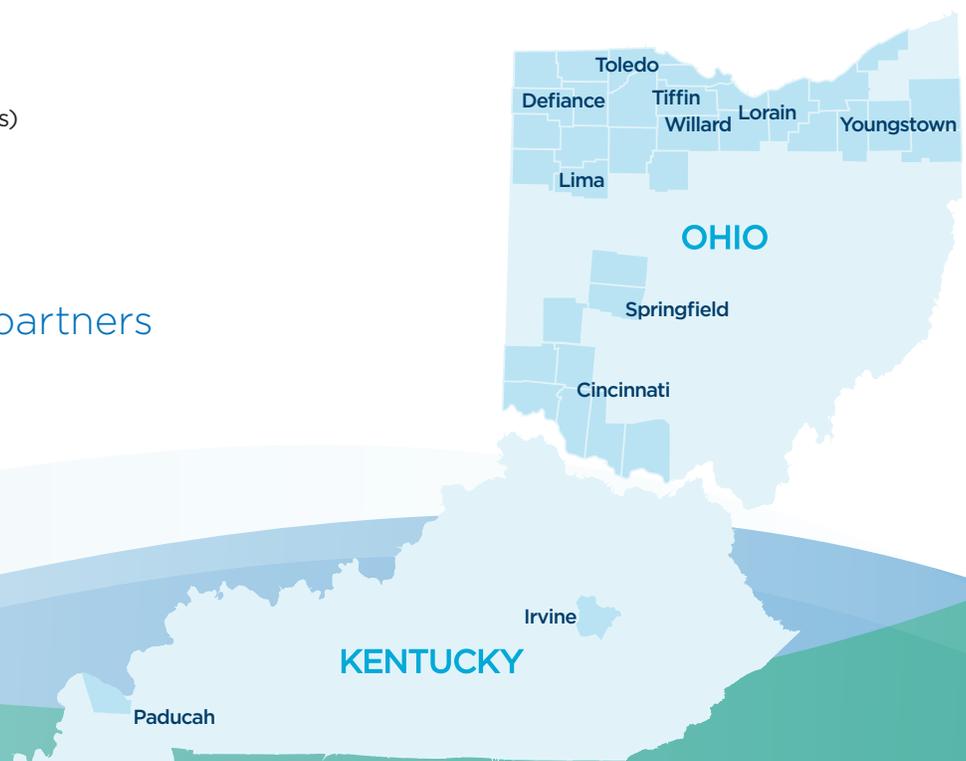
Employed providers: **About 1,300**

Total community benefit (2016): **\$347 million**

Economic impact in Ohio: **\$8.95 billion a year**

Total assets (2016): **\$6.3 billion**

Net operating revenue (2016): **\$4.5 billion**



METHODOLOGY

Economic impact figures represent the effects that a given organization and its associated economic activities have upon a surrounding community. An organization and its employees circulate money within a local economy through spending on goods and services provided by local business, which are then spent at other establishments and by local households.

The University of Cincinnati Economics Center calculated the impact of Mercy Health's construction and operations using estimates of these costs provided by the client. These data were used in an input-output model, which measures goods and services produced in each industry and the use of those goods and services by other industries and households.

Input-output models give a picture of the direct and indirect impacts of a given business or organization. The direct impacts of the project are measured in terms of the total output made by Mercy Health and in terms of the wages paid to employees hired with those monies. In turn, operating and investing in capital expenditures for the facilities supports jobs and spending in other industries. This consequent spending is the indirect impact of the project's activities. Finally, the direct and indirect impacts of inter-industry relationships create induced impacts due to the spending of private households.

Multipliers are figures that represent all the inter-industry and household economic relationships measured in the input-output model. For every dollar spent by a given organization in a particular industry, multipliers reflect how many more dollars will be spent in a local economy by other businesses and households, thereby determining the total economic impact of a project or investment. The multipliers

reflect two sets of economic impacts: first, the direct effect number of jobs and wages; and second, the final effects, which add the indirect and induced impacts to the direct ones.

For this project, multipliers were derived from an input-output model created by the Bureau of Economic Analysis (BEA), a part of the U.S. Department of Commerce. This model, its constituent tables, and resulting multipliers are part of the BEA's RIMS II project (Regional Industrial Multiplier System), which covers both the state and county levels throughout the United States.

Each industry in a given locale has its own multiplier, reflecting its relationship to the rest of the local economy. Operations of and capital investments in Mercy Health will attract activity in a number of different industries, and applying the relevant multipliers for each industry allowed the Economics Center to give a realistic picture of the economic impact of what the complex will add to the local economy.

For instance, Health Care and Social Assistance has an industry code of 62, and suppose it has a final-demand spending multiplier of 1.58. This means that for every \$1 million spent by that industry in its respective County, another \$580,000 of economic activity results. Additionally, suppose this industry has an employment multiplier of 6.4; so, for every \$1 million spent in Health Care and Social Assistance, approximately six jobs are supported annually in the rest of the economy.



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