

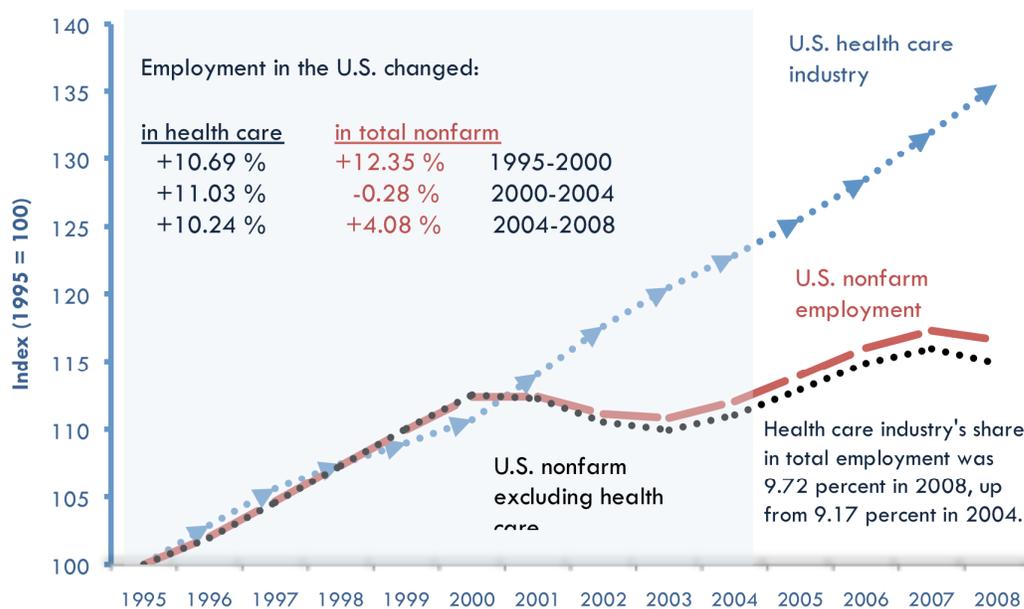
II. OVERVIEW OF THE CORE HEALTH CARE INDUSTRY

The concept of the core health care industry refers to health care service providers classified as such under the NAICS (North American Industrial Classification System): 621 (Ambulatory Services), 622 (Hospitals), and 623 (Nursing and Residential Care Facilities).¹

II.1. National Trends

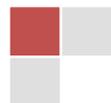
Regarding national trends, increasing demand for health care services by the retiring baby boomer generation likely will fuel further growth in core health care industry employment. According to Census Bureau population projections, the percent of people over age 65 will increase to nearly 20 percent by 2030 from 13 percent in 2010. Nationally, the core health care industry has grown significantly faster than nonfarm employment in the past 13 years.

National Trend in Health Care Employment (1995 = 100)



Source: Bureau of Labor Statistics (www.bls.gov) and BERC calculations

¹ For a detailed analysis, see the methodology section.



Nationally, core health care industry employment grew more than 10 percent between 2004 and 2008, while total nonfarm employment recorded about a 4 percent growth rate. Nonfarm employment excluding health care grew about 3.5 percent in the same period. To give a better perspective on changing employment dynamics in the nation, one in 14 jobs created between 1995 and 2000 was in the health care sector. This has changed dramatically in recent years, as one in 4.35 jobs created between 2004 and 2008 was in the health care sector.²

The growth trend in employment in the health care sector since 2000 is expected to continue through 2018, when core health care industry employment is projected to be the dominant source of employment growth. Health care occupations are projected to add nearly 2.8 million new jobs nationally between 2008 and 2018. In this period, growth in health care occupations is expected to be 24 percent versus 10 percent for all occupations. By 2018, health care occupations' share in total employment is projected to be 8.63 percent, nearly a percentage-point increase from 2008.

Health care occupations will account for one in every six new jobs, and the resulting 2.8 million additional workers will be spread throughout this large and diverse sector from health care practitioners' offices, outpatient clinics, and hospitals to nursing and residential care facilities.³ According to the Bureau of Labor Statistics, seven health care occupations are projected to be in the top 10 fastest-growing occupations in the U.S.

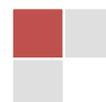
Fastest growing occupations in the U.S., 2008 and projected 2018 (number in thousands)

	Employment		Change	
	2008	2018	Number	Percent
Biomedical engineers	16	28	12	72
Network systems and data communications analysts	292	448	156	53
Home health aides	922	1,383	461	50
Personal and home care aides	817	1,193	376	46
Financial examiners	27	38	11	41
Medical scientists, except epidemiologists	109	154	44	40
Physician assistants	75	104	29	39
Skin care specialists	39	54	15	38
Biochemists and biophysicists	23	32	9	37
Athletic trainers	16	22	6	37

Source: U.S. Department of Labor, Bureau of Labor Statistics (www.bls.gov).

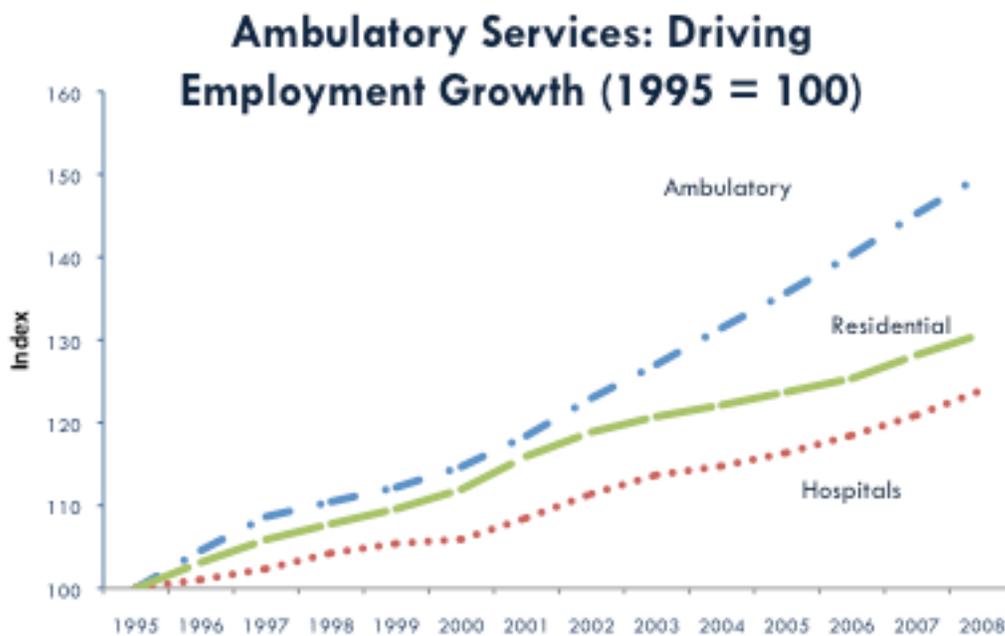
² This section uses the broader "health care and social services" for the Nashville MSA to allow comparison across geographical units. A detailed breakdown of health care services is not publicly available at the Nashville MSA level due to state disclosure rules.

³ Employment projections are from the U.S. Department of Labor, Bureau of Labor Statistics (www.bls.gov). Occupations include (a) health care practitioners and technicians and (b) health care support occupations.

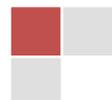


Furthermore, national health care expenditures are expected to reach \$4.7 trillion by 2019, representing nearly 19.4 percent of gross domestic product (GDP), up from 16.2 percent in 2008.⁴

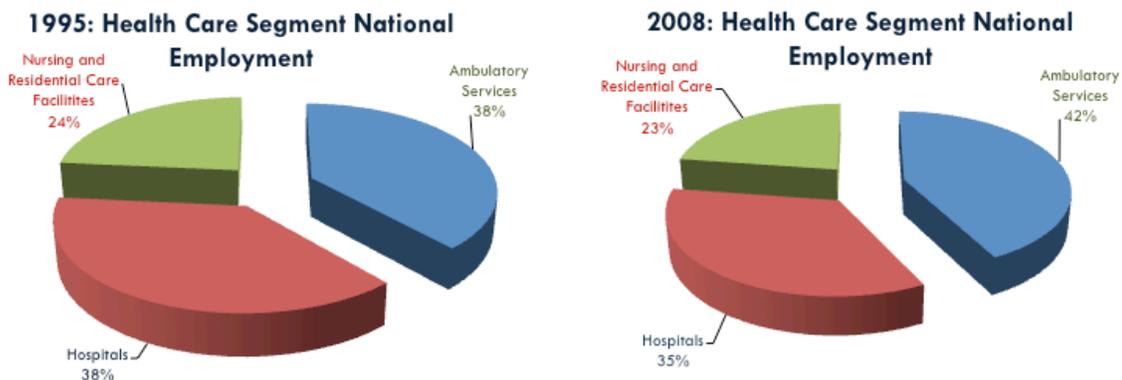
Among national health care sectors, growth in ambulatory services outpaced growth in both nursing care facilities and hospital employment. Hospital and nursing care facilities employment grew 24 percent and 31 percent, respectively, while ambulatory services recorded 50 percent growth between 1995 and 2003.



⁴ Health expenditure projections are from the Center for Medicare and Medicaid Services (www.cms.hhs.gov).



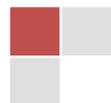
The share of ambulatory services in total national health care employment increased considerably over the past 13 years. For example, ambulatory services accounted for 38 percent of total health care employment, residential care facilities 24 percent, and hospitals 38 percent in 1995. From 1995 to 2008, the share of ambulatory services employment grew (increasing to 42 percent) at the expense of primarily hospital employment, which declined to 35 percent in 2008.



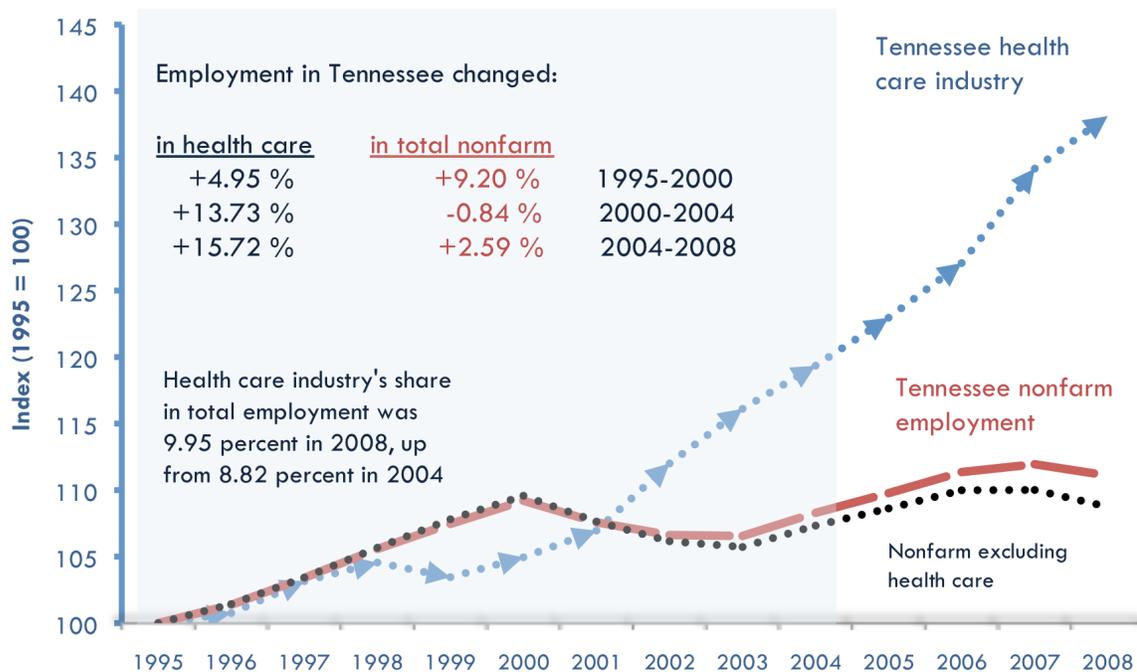
II.2. Trends in Tennessee

Tennessee's health care sector demonstrated significant resilience after a slow growth period between 1995 and 2000. As core health care employment grew nearly 16 percent between 2004 and 2008. In the same period, nonfarm employment grew substantially less, just 2.5 percent.

From a historical perspective, employment growth in Tennessee shows a reversal of trends between total nonfarm and health care employment. From 1995 to 2000, nonfarm employment shows a rigorous growth trend of nearly 10 percent versus a mere 5 percent for health services employment. However, this early growth pattern has changed dramatically. From 2000 to 2004, health services employment grew nearly 14 percent versus nearly a 1 percent decline in total nonfarm. While the growth in health services employment accelerated from 2004 to 2008, increasing nearly 16 percent, total nonfarm employment recorded an increase of only 2.6 percent, which corresponds to an annual average growth rate of 0.7 percent.



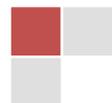
Trend in Health Care Employment in Tennessee (1995 = 100)



Source: Bureau of Labor Statistics (www.bls.gov) and BERC calculations

As previously noted, the growing share of seniors in the total population is likely to increase the demand for health care services dramatically, and is projected to increase to 19.21 percent of the population in 2030. According to Census Bureau projections, the share of the population older than 65 years old in Tennessee is expected to increase from 13.30 percent in 2010 to 19.21 percent in 2030.

Although only three out of the 10 fastest growing occupations in Tennessee are in health care, health care occupations are projected to increase 24.29 percent from 2006 to 2016. Compared to the 12.30 percent growth in all occupations, health care occupations' share in total employment will increase 8.58 percent in 2016, up from 7.75 percent in 2006. Overall, health



care occupations are projected to add 56,980 new jobs, accounting for one in every seven projected jobs between 2006 and 2016.

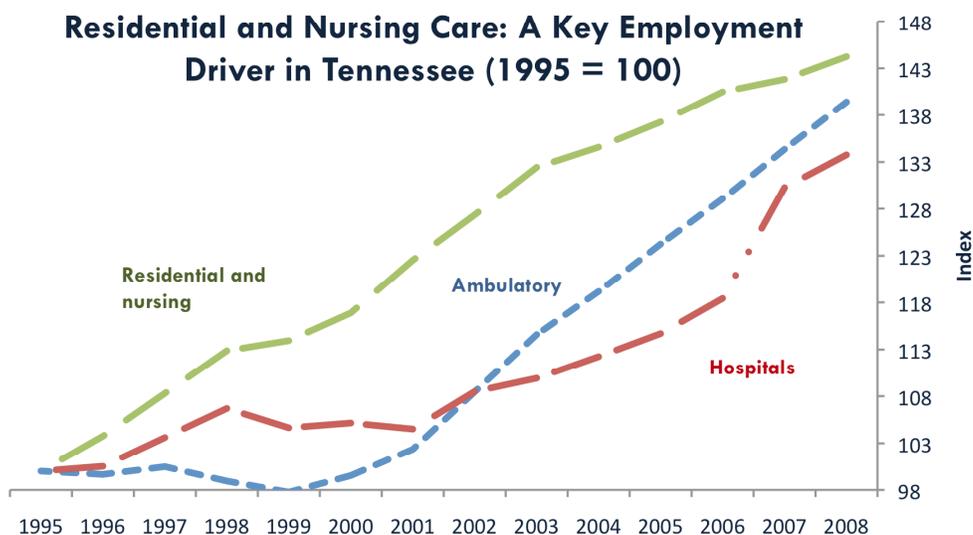
Fastest growing occupations in Tennessee, 2006 and projected 2016*

	Employment		Change	
	2006	2016	Number	Percent
Court reporters	170	300	72	20
Pharmacy technicians	7,970	12,540	57	700
Environmental engineers	900	1,410	56	80
Umpires, referees, and other sports officials	140	220	55	10
Network systems and data communications analysts	2,810	4,340	54	210
Motorboat mechanics	380	590	53	30
Fence erectors	490	730	48	30
Orthotists and prosthetists	230	330	45	10
Home health aides	10,760	15,610	45	580
Animal trainers	730	1,040	43	40

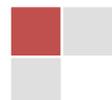
Source: State Occupational Projections at <http://www.projectionscentral.com>.

*State projections are not available for 2008-2018.

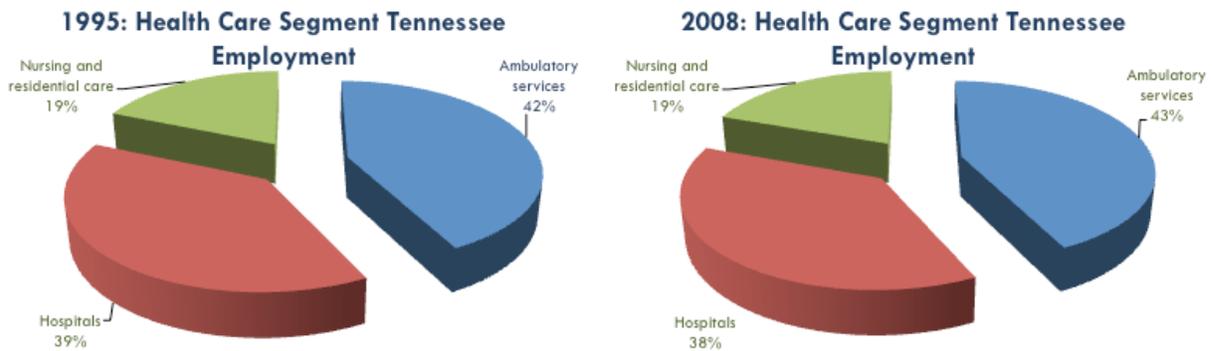
In Tennessee, unlike the U.S. as a whole, the growth in health care employment was primarily driven by residential and nursing care facilities between 1995 and 2008; the nursing care facilities sector grew markedly faster than the other two health care sectors, ambulatory services and hospitals. Nursing care facilities grew more than 44 percent, while ambulatory services recorded a growth rate of 39 percent. Hospitals grew at a much slower pace than the other two health care segments with a growth rate of 34 percent.



Source: Tennessee Department of Labor and Workforce Development and BERC estimates



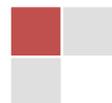
Even though the residential and nursing home facilities segment has grown faster than the other two health care segments, its share in Tennessee health care employment is still smaller than its national share in total health care employment. Ambulatory services increased its employment share one percentage point from 1995 to 2008 at the expense of hospital employment.



II.3. Trends in the Nashville MSA

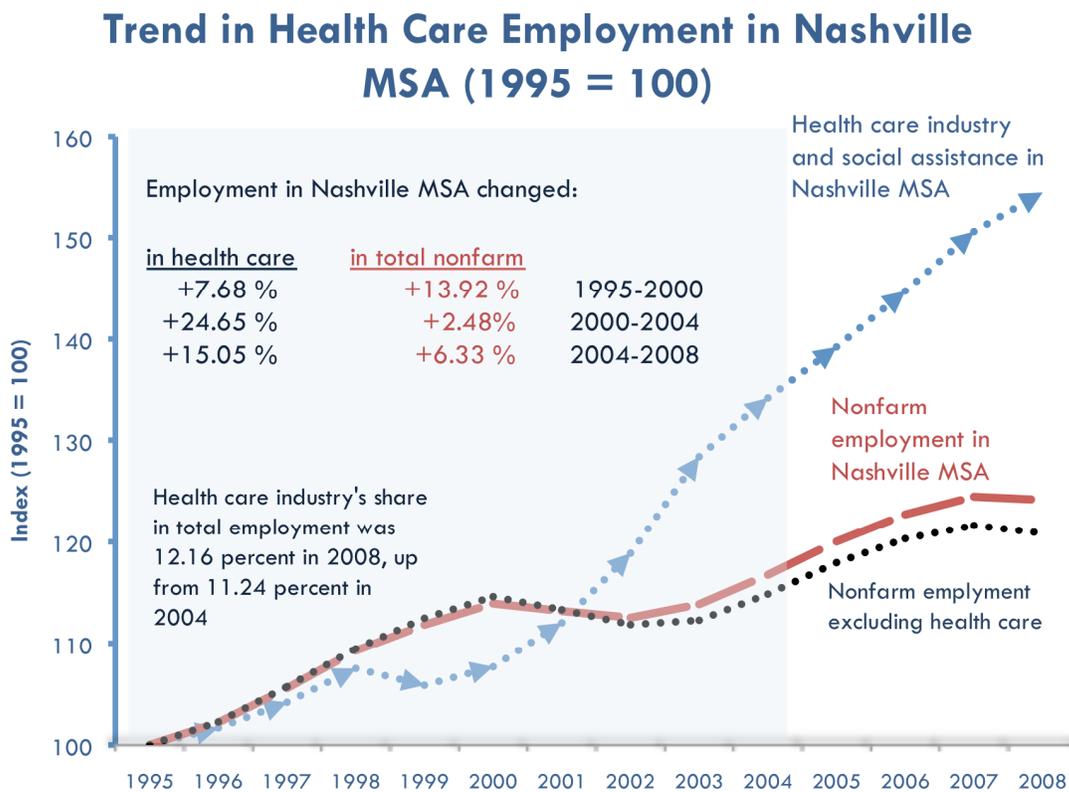
Nashville's health care employment grew faster than total nonfarm employment between 1995 and 2008. While nonfarm employment recorded a 2.5 percent growth rate between 2000 and 2004, Nashville's health care employment recorded a 25 percent growth rate during the same period. Albeit smaller, this growth trend continued between 2004 and 2008 when the nation was moving into its worst recession in recent history. During that period, Nashville's health care sector recorded a 15 percent growth rate.

From a historical perspective, Nashville's health care sector grew 54 percent from 1995 to 2008, adding more than 30,000 jobs. In this period, for every 100 nonfarm jobs, 22 were in health care. The period between 2000 and 2004 was very active for Nashville's health care sector, which added nearly 16,000 jobs; for every 100 nonfarm jobs created during this time, 92 were in the health care sector. Between 2004 and 2008, for every 100 nonfarm jobs, 26 were in the health care sector.



In line with national and state population growth trends, the share of seniors in the adult population in Davidson County is projected to reach 16 percent in 2025, up from 11.94 percent in 2010, further increasing the demand for health care services.⁵

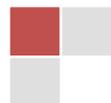
Health care occupations in Nashville represented 8.5 percent of total jobs, or one in every 12 occupations in 2008. In terms of the share of health care sector in total nonfarm employment, one in every eight workers was employed by the health care industry.



Source: Bureau of Labor Statistics (www.bls.gov) and BERC calculations

Unlike the trend in previous periods, the share of nursing care facilities in the Nashville MSA in total nonfarm employment decreased between 2004 and 2008 to 16 percent. Nursing care employment increased about 6 percent from 2004. The increase in hospital and ambulatory

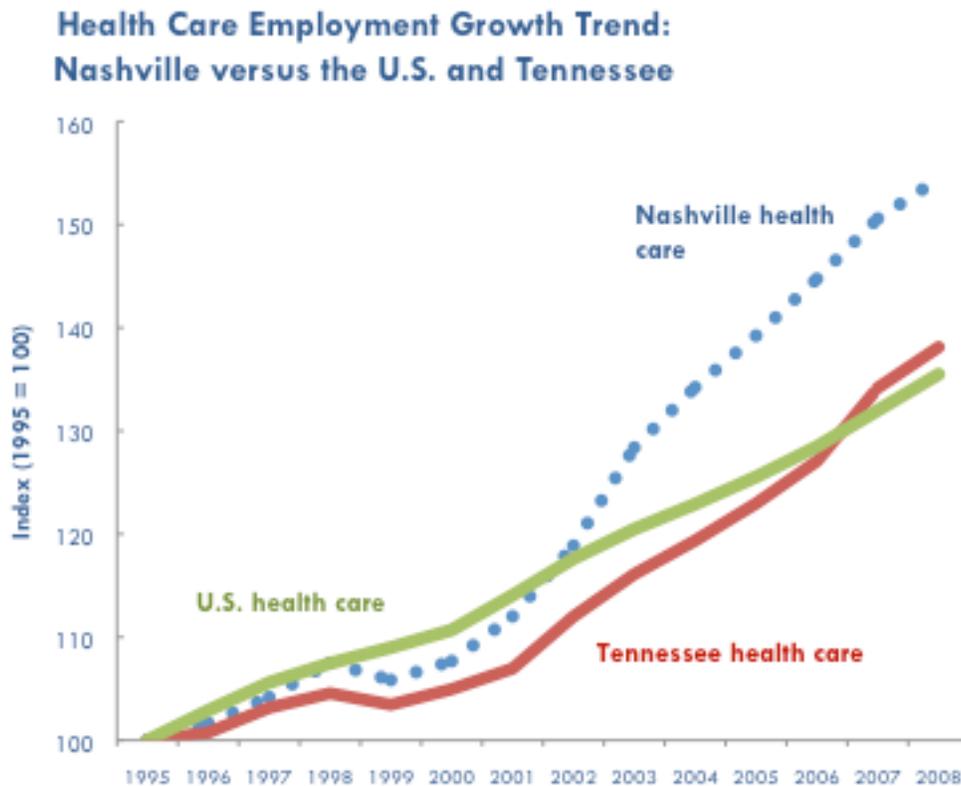
⁵ Data is from TACIR (Tennessee Advisory Commission on Intergovernmental Relations) at www.state.tn.us/tacir/population.htm.



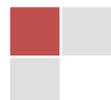
services employment between 2004 and 2008 was remarkable: 27 percent and 21 percent, respectively. Hospitals' share in health care jobs jumped nearly two percentage points to 46 percent in 2008.

II.4. Comparative Perspective on Trends in the Core Health Care Industry

Employment growth in Nashville's core health care industry has been faster than that of national and state health care employment since 2002.

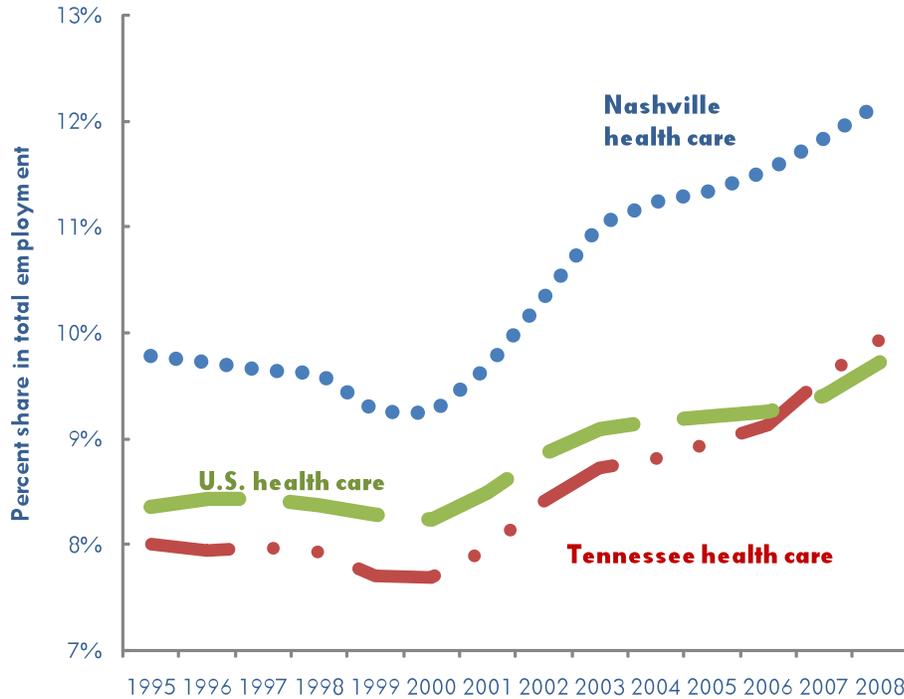


The core health care sector plays a more prominent role in Nashville's economy than in the state and national economies. More than 12 of every 100 Nashville nonfarm jobs in 2008 were core health care jobs. The graph below clearly shows that the employment share of the health care industry substantially increased in Nashville from 2001 to 2008 following a decline in the share of health care employment in total nonfarm employment between 1997 and 2001.



This period coincides with substantial health care spending cuts as a result of the 1997 Balanced Budget Act, which affected Nashville, a national health care industry hub, more than both the state and the nation. However, as the growth trend shows, Nashville recovered and moved forward faster than the U.S. and Tennessee.

Percent Share of Health Care Employment in Total Nonfarm: Nashville versus the U.S. and Tennessee



Source: Tennessee Department of Labor and Workforce Development and BEREC estimates

