A Vital Force in Ohio’s Economy
Economic Impacts

Dear Friends:

Cleveland Clinic is the economic engine of Northeast Ohio. It is the largest employer, a major purchaser of goods and services, and a generator of tax revenues for government at every level. Our economic activity supports families, neighborhoods and community life. It brings opportunity and prosperity to the areas we serve.

Cleveland Clinic’s Economic Impact Report details our contribution to state and local economies. Here are the highlights from the 2014 economic study:

- $12.6 billion – total economic impact in Ohio
- 93,560 – jobs directly or indirectly supported
- $5.9 billion – labor income
- 70,430 – households supported
- $4 billion – household spending made possible
- $811 million – total state and local taxes
- $189 million – visitor spending
- $1.3 billion – spending on goods and services

Cleveland Clinic continues to be the second largest employer in Ohio. Our jobs attract and retain a well-educated workforce. Our caregivers support businesses and professional services across the state. Taxes generated by Cleveland Clinic enhance public schools, social services and infrastructure improvement.

Economic strength increases our ability to provide charity care. Our community benefit was $653 million in 2013, including research, education and uncompensated services.

We appreciate your interest in Cleveland Clinic and its economic impact. More information on our organization, finances, and community benefit can be found at clevelandclinic.org.

Sincerely,

Delos M. Cosgrove, MD
President and CEO

Delos M. Cosgrove, MD
President and CEO, Cleveland Clinic

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TOTAL OHIO STATE IMPACTS

- $12.6 Billion in Total Economic Output
- 93,560 Jobs
- $5.9 Billion of Labor Income
- 70,430 Households Supported
- $4 Billion in Household Spending
- $811 Million in Total State and Local Taxes
- $189 Million in Visitor Spending
- $1.3 Billion in Spending on Goods and Services

TOTAL OHIO REGIONAL IMPACTS

- $12.4 Billion in Total Economic Output
- 92,710 Jobs
- $5.7 Billion of Labor Income
- 67,850 Households Supported
- $3.8 Billion in Household Spending
- $785 Million in Total State and Local Taxes
- $191 Million in Visitor Spending
- $757 Million in Spending on Goods and Services
Ohio — State Impacts

Cleveland Clinic contributes significant economic and fiscal value to the state of Ohio. In 2013, Cleveland Clinic directly and indirectly contributed nearly $12.6 billion of total economic output in the state.

The activities of Cleveland Clinic supported more than 93,000 Ohio jobs in 2013 and those jobs represented more than $5.9 billion in total earnings. While most of the operating entities comprising Cleveland Clinic are exempt organizations, total state and local taxes of nearly $811 million can be attributed to the presence of Cleveland Clinic. The organization also purchased close to $1.3 billion of goods and services from Ohio businesses.

More than 70,000 households in Ohio were supported by Cleveland Clinic jobs and earnings in 2013, and those households spent almost $4 billion purchasing goods and services in the state. Additionally, Cleveland Clinic visitors contributed over $189 million to the state’s economy.

Between 2010 and 2013, Cleveland Clinic invested more than $1 billion in real property improvements, including renovating existing structures, building new facilities and making land improvements in Ohio. That investment supported nearly 3,400 construction period jobs per year and almost $178 million in direct and indirect wages, on average, over the four years. The average fiscal impact of Cleveland Clinic’s construction activity during the four-year period generated nearly $28 million in state and local taxes per year.

Ohio — Regional Impacts

Cleveland Clinic has substantial fiscal and economic impacts on Northeast Ohio’s economy. In the eight-county region, the construction activities and ongoing operations of the organization supported approximately 92,700 jobs and over $5.7 billion of labor income in 2013. Those jobs represent almost 68,000 Northeast Ohio households and over $3.8 billion of household spending, which are directly and indirectly supported by Cleveland Clinic activities in the regional economy.

State and local taxes generated by permanent and construction activities in the region totaled close to $785 million. Cleveland Clinic purchased approximately $757 million of goods and services from Northeast Ohio vendors. Visitors to Cleveland Clinic’s Northeast Ohio facilities spent close to $191 million on hotels, food and other expenses.

Cleveland Clinic directly and indirectly supported more than $12.4 billion of economic activity in the regional economy in 2013.

Cleveland Clinic construction activities between 2010 and 2013 supported over 3,200 direct and indirect jobs per year and over $177 million of average annual wages earned in Northeast Ohio. The average annual fiscal impact of Cleveland Clinic’s construction activity exceeded $26 million in state and local taxes.

| Cleveland Clinic Economic and Fiscal Impact Study - Summary Table (Based on 2013 Data) |
|----------------------------------------|----------------------------------------|----------------------------------------|
|                                        | Northeast Ohio Region                  | State of Ohio                          |
|                                        | Direct | Indirect | Total | Direct | Indirect | Total |
| Total Jobs                             | 47,940 | 44,770   | 92,710| 48,570 | 44,990   | 93,560|
| Total Earnings                         | $3.6 billion | $2.1 billion | $5.7 billion | $3.7 billion | $2.2 billion | $5.9 billion |
| Households Supported                   | 35,070 | 32,780   | 67,850| 36,530 | 33,900   | 70,430|
| Total Household Level Spending          | $2.3 billion | $1.5 billion | $3.8 billion | $2.4 billion | $1.6 billion | $4.0 billion |
| State Income Taxes                     | $101 million | $73 million | $174 million | $103 million | $77 million | $180 million |
| Local Income Taxes                     | $55 million | $40 million | $95 million | $55 million | $42 million | $97 million |
| Property Taxes (Residential)           | $144 million | $135 million | $279 million | $151 million | $140 million | $291 million |
| Indirect Business Taxes                | $237 million | $237 million | $474 million | $243 million | $243 million | $486 million |
| Total State and Local Taxes            | $301 million | $484 million | $785 million | $309 million | $502 million | $811 million |
| Total Visitor Spending                 | $191 million | $191 million | $382 million | $189 million | $189 million | $378 million |
| Total Output                           | $6.7 billion | $5.7 billion | $12.4 billion | $6.8 billion | $5.8 billion | $12.6 billion |

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Glossary

Direct Jobs Those jobs being analyzed for purposes of the study. In this report, direct jobs comprise Cleveland Clinic physicians and employees, on-campus hotel jobs, on-campus parking jobs, and jobs existing at spin-off companies.

Direct Earnings/Labor Income The wages and benefits associated with the direct jobs.

Household Level Spending Encompasses all of the purchases made by individuals and families for items such as food, clothing, durable and non-durable goods, and other retail of any kind. It also includes spending on personal services such as home repair, dry cleaning, restaurants, automotive repair, etc.

Indirect Jobs Jobs supported by industries purchasing from industries. For example, Cleveland Clinic purchases supplies from vendors within the region. Those vendors employ workers to meet the demand of Cleveland Clinic (and other customers). This cycle may have many iterations between different industry sectors, and the coefficients associated with each industry are calculated within the IMPLAN model. (See right column for more information about IMPLAN.)

Indirect Earnings/Labor Income The earnings associated with indirect jobs. This amount can include both wages and benefits paid to workers as well as income earned by business owners. Indirect earnings are calculated using the IMPLAN model.

Induced Jobs Whereas indirect jobs are those positions that are created by industries purchasing from industries, induced jobs are those positions supported by household level purchasing, or the spending on goods and services by individuals within the region. In this report, induced jobs are calculated using the IMPLAN model and are included with indirect jobs.

Induced Earnings/Wages/Labor Income The earnings associated with the induced jobs. This amount can include both wages and benefits paid to workers as well as income earned by business owners. In this report, induced earnings are calculated using the IMPLAN model and are included with indirect earnings.

Indirect Business Taxes Excise taxes, property taxes, fees, licenses and sales taxes paid by businesses. These taxes occur during the normal operation of businesses and are determined primarily within the IMPLAN model.

Industry Output Represents the total value of all goods and services produced by all of the industries within the study region. This is often referred to as Gross State Product or Gross Regional Product. For this study, we used the IMPLAN model, which provides information for more than 400 distinct industry sectors. By aggregating the changes in each sector associated with the direct activity of Cleveland Clinic, we are able to calculate the total impact on the economy.

Spending on Goods and Services Included in this value are total payments made to various vendors and individuals for goods and/or services provided to Cleveland Clinic. In this report, this information is specifically limited to actual purchases made by Cleveland Clinic and should not be confused with the definition of Industry Output above. This data was provided by Cleveland Clinic.

Analysis Methodology

Portions of this analysis were completed using the IMPLAN economic impact model. The IMPLAN model is used by more than 1,000 universities and government agencies to estimate the economic and fiscal impacts of investments and/or changes in industry, to forecast tax revenue and employment generation, and to conduct economic comparison studies of two or more geographic locations.

IMPLAN is an input-output model. Input-output accounting describes commodity flows from producers to intermediate and final consumers. The total industry purchases of commodities, services, employment compensation, value added, and imports are equal to the value of the commodities produced.

An IMPLAN impact analysis involves specifying a series of expenditures or other changes and applying them to the region's economic multipliers. The expenditures are identified in terms of the sectoring scheme for the model, in producer prices, and in historical dollars with the current year used as a base year. Only the dollars spent within the region are applied to the model.

The notion of a multiplier rests upon the difference between the initial effect of a change in final demand and the total effects of that change. Total effects can be calculated either as direct and indirect effects, or as direct, indirect and induced effects. Direct effects are production changes associated with the immediate effects or final demand changes. Indirect effects are production changes in backward-linked industries caused by the changing input needs of directly effected industries (for example, additional purchases to produce additional output). Induced effects are the changes in regional household spending patterns caused by changes in household income generated from the direct and indirect effects.

Purchases for final use (final demand) drive the model. Industries producing goods and services for final demand purchase goods and services from other producers. These other producers, in turn, purchase goods and services. This buying of goods and services (indirect purchases) continues until leakage from the region (imports and value added) stops the cycle.

These indirect and induced effects (the effects of household spending) can be mathematically derived. The resulting sets of multipliers describe the change of output for each and every regional industry caused by a one-dollar change in final demand for any given industry.

Creating a regional input-output model requires a tremendous amount of data. The costs of surveying industries within each region to derive a list of commodity purchases (production functions) are prohibitive. IMPLAN was developed as a cost-effective means to develop regional input-output models. The IMPLAN accounts closely follow the accounting conventions used in the “Input-Output Study of the U.S. Economy” by the Bureau of Economic Analysis (1980) and the rectangular format recommended by the United Nations.

Source for much of this description: Olson, Doug and Scott Lindall, “IMPLAN Professional Software, Analysis, and Data Guide”, Minnesota IMPLAN Group, Inc., 1725 Tower Drive West, Suite 140, Stillwater, MN 55082