



**CHAIRMAN'S
CORNER**

With San Diego's overall economic and job growth slowing in 2007, one of the stronger sectors that continues to expand is the local health care industry. Health care not only offers great job opportunities for local residents, but many of the occupations are among the most highly compensated professions



Steven Francis, Founder & Chairman of the San Diego Institute for Policy Research

available. Demographic data suggests that demand for health care services in San Diego County will continue to increase.

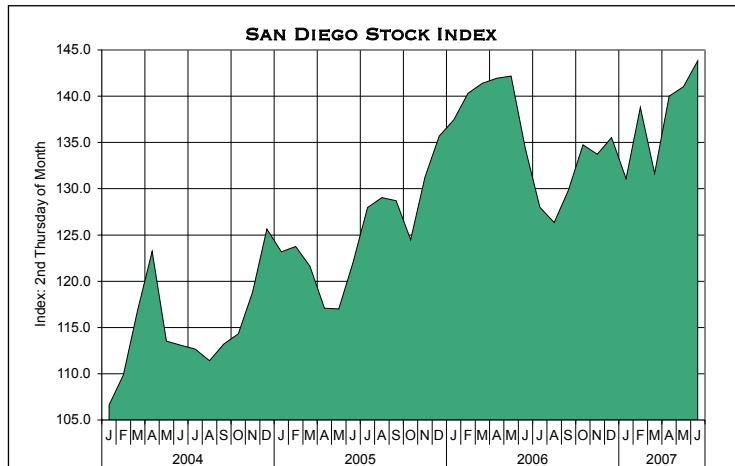
Coming from a health care background at AMN Healthcare, I appreciate just how important the industry is to the region's economy and the kind of opportunities it can create for our citizens. Occupations ranging from doctors and practitioners to technicians, nurses, and attendants are abundant. Many of these professions take years of specialized training which is why the various education programs at our local colleges and institutions are so important.

In this issue of the Economic Ledger, we take a look at San Diego's thriving health care industry, the growth and outlook of this vital sector of the local economy, and the many job opportunities available for San Diego's growing labor force. ■

— Steven Francis, Founder & Chairman

DASHBOARD OBSERVATIONS

by Kelly Cunningham, Economist, Sr. Fellow



Indicator	June 2007	Month Change	Annual Change
Unemployment Rate¹ San Diego County	4.6%	-0.05% ▲	0.4% ▼
Residential Building² Units Authorized for Construction San Diego County	641	-3.2% ▼	-67.7% ▼
New Business Licenses³ Issued by City of San Diego	1,428	32.2% ▲	-11.2% ▼
San Diego Stock Index⁴ San Diego based public cos. 2nd Thursday of month	143.8	2.0% ▲	7.1% ▲
Economic Consumer Confidence Index⁵	112.7	-1.8% ▼	

¹California Employment Development Department

²Construction Industry Research Board

³Business Tax Program, City of San Diego

⁴Second Thursday of month, Bloomberg News, San Diego Daily Transcript

⁵Survey by Competitive Edge Research and Communications, conducted the first week of July 2007.

For detail of data, see website: www.sandiegoinstitute.com

Three indicators improved in the month of June 2007, but only one was better than a year ago, indicating San Diego's economy continues to flounder.

Following up and down swings, the San Diego stock index managed to show the best performance for June 2007, up 2.0 percent from the previous month, and 7.1 percent above a year ago. The index of locally headquartered companies reached the highest level it has been since the dot.com build-up in 2000 and subsequent

meltdown. The stock index has a way to go before reaching the heights reached in early 2000, but the improvement is an encouraging sign for local businesses.

New business licenses issued by the City of San Diego reported a 32.2 percent seasonally adjusted jump over May, but was still 11.2 percent lower than the previous June. The significant increase for the month may signal the beginning of a trend for more business starts in the region.

San Diego's unemployment

rate increased from 4.2 percent in May to 4.6 percent in June, but the seasonal adjustment indicates virtually no change. Since unemployment usually rises in June at the beginning of the summer season as students (16 years and older) are out of school and many enter the labor force, the seasonal adjustment shows unemployment barely improved .05 percent downward. The past year, however, continues to reveal a gradual rise of unemployment for the County. The unemployment a year ago in June 2006 was at 4.2 percent. It should also be noted San Diego's unemployment rate remains well below California's at 5.2 percent, but is approaching the national rate at 4.7 percent.

A significant trend is also revealed in the June 2007 employment report. San Diego's payroll

(Continued on page 4)

**INSIDE
THIS ISSUE**

**San Diego Health
Care Industry**

■ Health care and social assistance jobs account for one in every 12 jobs in San Diego, or one health care worker for every 29 residents.

■ San Diego County's 7,722 health care and social assistance facilities represent 10.1 percent of San Diego's establishments.

■ San Diego health care operations generated \$10.9 billion in receipts and revenues.

■ Hospitals and health care organizations are among San Diego's largest employers.

(See Healthcare Industry, pg 2)

HEALTH CARE WORKING IN SAN DIEGO

Health care is an important but often overlooked part of the San Diego regional economy. Projections call for the industry to continue to grow as the population continues to increase and fuels demand for more services. As San Diego's baby boomer population matures, they also require more and more health related services, especially as they reach elderly stages of life.

The San Diego Association of Governments (SANDAG) projects San Diego's median age will rise from 34.3 in 2006 to 39.0 by 2030. While San Diego's total population is projected to increase 30 percent between 2006 and 2030, the number of residents 65 and older will increase much faster, more than doubling with growth of 138 percent. About 1 in 10 residents are currently 65 years and older; by 2030, the number will be nearly 2 in 10. SANDAG additionally expects there will be more than 203,000 San Diegans more than 80 years old by 2030.

Medical Care Facilities

According to the California Office of Statewide Health Planning and Development (OSHPD), San

residents in the County. By way of comparison, the ratio for all of California is one bed for every 364 residents, while Orange County has one per 401 residents, and Los Angeles one per 336 residents.

Another 8,816 beds are available among 91 long-term care facilities in San Diego. For a County population of nearly 3.1 million residents, these numbers of available beds seem somewhat limited especially if a significant catastrophe were to occur.

Eighty-three primary care and specialty clinics and another 59 specialized clinics are additionally available for medical services. Some 61 home health agencies and hospices also provide health and medical services in the County.

Major Employers

Several hospitals and health care organizations are among San Diego's largest employers. Sharp HealthCare is the County's sixth largest employer overall and the largest private (non-governmental) employer, according to the San Diego Business Journal's Book of Lists. Sharp employed 13,377 workers in 2006, including 8,451

Rady Children's Hospital San Diego (22nd) with 3,056 are other major employers as well.

Considered the U.S. Navy's most technologically advanced medical treatment facility, the San Diego Naval Medical Center should also be considered on the list. Although included within San

tional, speech therapists, audiologists, podiatrists, and other health practitioners.

Outpatient care centers number 315, including family planning, outpatient mental health and substance abuse, kidney dialysis, and freestanding ambulatory surgical and emergency centers. Medical



Diego's single largest employer in the general category for the U.S. Navy, the naval medical hospital alone, with more than 6,000 military and civilian staff, would also rank prominently among San Diego's largest employers.

and diagnostic laboratories have 141 operations, and home health care services number 145. Other ambulatory health care services include 18 operators providing ambulance services, and 12 blood and organ banks.

The Census Bureau reported 40 hospitals in the County of

Size of the Local Industry

The last economic census reported San Diego health care and social assistance operations generated \$10.9 billion in receipts and revenues in San Diego County. This would mean health care represented 9.3 percent of San Diego County's total economic activity at the time.

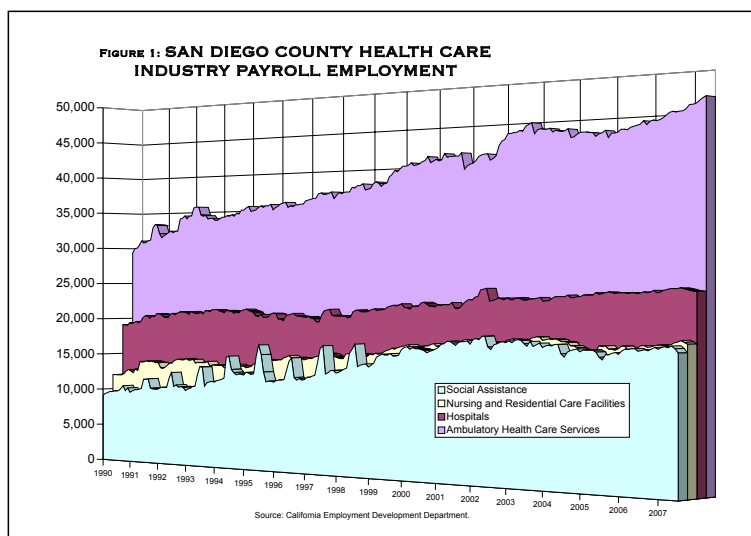
The Census Bureau also reported 7,722 health care and social assistance establishments in operation in San Diego as of 2005. This represents 10.1 percent of the 76,559 total establishments in the County.

Ambulatory health care services number 5,592 establishments in San Diego County. This is further broken down with 2,185 physician offices, 1,590 dentist offices, and 1,153 other health practitioner operations, including chiropractors, optometrists, mental health, physical, occupa-

MEDICAL CARE OCCUPATIONS ARE AMONG THE MORE HIGHLY COMPENSATED POSITIONS IN SAN DIEGO, INCLUDING MANY RANKED IN THE TOP 25 HIGHEST PAID OCCUPATIONS.

San Diego, including 26 general medical and surgical facilities, eight psychiatric and substance abuse hospitals, and six specialty hospitals.

Another 1,487 facilities provide social assistance, including individual and family services, community food, housing, emergency and other services, vocational rehabilitation, and child day care services.



Diego County has 26 general acute care hospitals, four acute psychiatric facilities, and one chemical dependency recovery hospital. Altogether, these 31 hospitals have a total 7,046 beds available for patient care. This represents one hospital bed for about every 440

full-time and another 4,836 part-time.

Scripps Health is the County's eighth largest employer with 10,932 employees, followed by Kaiser Permanente at ninth with 7,432. Palomar Pomerado Health (19th) with 3,334 employees and

Health Care Payroll Employment

According to the California Employment Development Department, San Diego health care companies employ 106,700 workers in San Diego. This represents one in every 12 jobs in San Diego, or one health care worker for every 29 residents.

The majority of health care work is among ambulatory health care services, which have also experienced the highest growth among health-based services over the past 17 years. Hospitals account for the second largest group of jobs. While employment has grown, the expansion of jobs among hospitals has been at a much slower pace.

Both nursing and residential care facility employment and social assistance jobs have expanded, but after reaching high points in 2002-03, dipped slightly before increasing again in 2007 to almost the same high points.

Medical, Health Care Occupations

Medical care occupations are among the more highly compensated positions in San Diego, including many ranked in the top 25 highest paid occupations. For comparison, as of the first quarter of 2007, the overall annual average wage of a job in San Diego is \$44,715, according to the California Employment Development Department (EDD). EDD's latest Occupational Employment Statistics (OES) Survey Results for San Diego jobs show family and general practitioners, obstetricians and gynecologists, pediatricians, general physicians and surgeons, and all other surgeons averaged a minimum above \$145,600 in annual wages. General internists also average \$144,043 per year. Podiatrists, psychiatrists, pharmacists and veterinarians rank high on the list as well, each averaging well above \$100,000 per year.

Overall, San Diego health care practitioners and technical occupations average \$73,890 per year, while health care support occupations average \$28,065. Among California's twenty major metropolitan statistical areas, this was about average for the state.

Medical Care Costs

According to the Bureau of Labor Statistics latest consumer expenditure survey, San Diego households spent an average of \$3,038 on out-of-pocket health care costs during the survey year of 2004-05. This equaled 5.1 percent of total household expenditures, which was 0.8 percentage point lower than average for all U.S. households.

San Diego's expenditures for health care were much higher in comparison to both Los Angeles, which averaged \$2,274, and San Francisco at \$2,773. The percentage of Los Angeles spending for health care was only 4.1 percent of total expenditures, while San Francisco's was 4.5 percent.

And there are worrisome signs on the horizon. Among the goods and services tracked by the Bureau of Labor Statistics to determine cost of living increases or the inflation rate, the highest increase of prices over the past 25 years by far have been for medical care. While prices overall more than doubled in San Diego, rising 127 percent since the base year of 1982-84, the consumer price index of medical care costs more than tripled rising 233 percent. By comparison, housing prices increased 152 percent during the same time frame, gasoline by 127 percent, and energy by 189 percent (not including price gains recorded so far in 2007).

Conclusion

The size of the health care industry in San Diego makes it vitally important for policy makers to engage in the current state and national debates about health care delivery and finances. Indeed, while the issues surrounding the biotechnology industry are critically important for the some 39,000 people working in that field, three times more work in health care. Similarly, the industry is nearly the same size as the tourist industry in San Diego and, when examining payroll is larger. The importance of health care to our region's economy suggest that policy makers and economists overlook it at their peril when trying to understand important factors that impact our regional economy. ■

FIGURE 2: HEALTH CARE AND SOCIAL ASSISTANCE
San Diego-Carlsbad-San Marcos, CA Metropolitan Statistical Area, 2005 County Business Patterns

NAICS Code	Industry Code Description	Establishments	Employees week of March 12	Annual Payroll (\$1,000)
62	ALL San Diego Establishments	76,559	1,164,097	\$47,407,939
	Health Care and Social Assistance	7,722	126,731	5,057,438
621	Ambulatory Health Care Services	5,592	48,530	2,386,075
6211	Offices of Physicians	2,185	17,778	1,247,720
621111	Offices of Physicians (ex Mental Health Specialists)	2,042	17,233	1,218,068
621112	Offices of Physicians, Mental Health Specialists	143	545	29,652
6212	Offices of Dentists	1,590	9,939	372,729
6213	Offices of Other Health Practitioners	1,153	5,188	164,185
62131	Offices of Chiropractors	431	1,110	23,456
62132	Offices of Optometrists	203	898	25,250
62133	Offices of Mental Health Practitioners (ex Physicians)	169	803	24,434
62134	Offices of Physical, Occupational and Speech Therapists, and Audiologists	179	1,185	40,912
621391	Offices of All Other Health Practitioners	49	145	3,806
621399	Offices of All Other Miscellaneous Health Practitioners	122	1,047	46,327
6214	Outpatient Care Centers	315	7,752	292,017
62141	Family Planning Centers	24	484	14,530
62142	Outpatient Mental Health and Substance Abuse Centers	89	819	24,657
62149	Other Outpatient Care Centers	202	6,449	252,830
621491	HMO Medical Centers	5	0-19	NA
621492	Kidney Dialysis Centers	23	500-999	NA
621493	Freestanding Ambulatory Surgical and Emergency Centers	39	602	21,132
621498	All Other Outpatient Care Centers	135	5,234	204,993
6215	Medical and Diagnostic Laboratories	141	1,887	122,339
621511	Medical Laboratories	69	974	57,753
621512	Diagnostic Imaging Centers	72	913	64,586
6216	Home Health Care Services	145	3,656	102,375
6219	Other Ambulatory Health Care Services	63	2,330	84,710
62191	Ambulance Services	18	883	25,848
62199	All Other Ambulatory Health Care Services	45	1,447	58,862
621991	Blood and Organ Banks	12	431	16,101
621999	All Other Miscellaneous Ambulatory Health Care Services	33	1,016	42,761
622	Hospitals	40	39,306	1,800,150
6221	General Medical and Surgical Hospitals	26	35,949	1,689,674
6222	Psychiatric and Substance Abuse Hospitals	8	1,000-2,499	NA
6223	Specialty (except Psychiatric and Substance Abuse) Hospitals	6	1,000-2,499	NA
623	Nursing and Residential Care Facilities	603	17,460	399,107
6231	Nursing Care Facilities	88	7,143	181,397
6232	Residential Mental Retardation, Mental Health, Substance Abuse Facilities	228	3,473	79,335
62321	Residential Mental Retardation Facilities	156	1,982	43,251
62322	Residential Mental Health and Substance Abuse Facilities	72	1,491	36,084
6233	Community Care Facilities for the Elderly	233	6,156	124,944
623311	Continuing Care Retirement Communities	37	3,031	63,854
623312	Homes for the Elderly	196	3,125	61,090
6239	Other Residential Care Facilities	54	688	13,431
624	Social Assistance	1,487	21,435	472,106
6241	Individual and Family Services	553	11,062	249,981
62411	Child and Youth Services	95	2,523	51,653
62412	Services for the Elderly and Persons with Disabilities	173	4,643	88,630
62419	Other Individual and Family Services	285	3,896	109,698
6242	Community Food and Housing, and Emergency and Other Relief Services	100	1,540	36,128
62421	Community Food Services	24	328	5,856
62422	Community Housing Services	49	894	20,355
624221	Temporary Shelters	23	249	5,326
624229	Other Community Housing Services	26	645	15,029
62423	Emergency and Other Relief Services	27	318	9,917
6243	Vocational Rehabilitation Services	97	2,359	56,390
6244	Child Day Care Services	737	6,474	129,607

Source: U.S. Census Bureau

or industry job growth, which has been slowing for the past two years, sunk to the lowest level since 1993. The net year-over-year change in jobs was only 1,400 in June 2007, less than the previous post-9/11 dot.com meltdown experienced in June 2002 when only 2,400 jobs were added over the year. The only previous time job growth was lower than the current gain was 1993 when San Diego was struggling to emerge from a major recession.

Gains in leisure and hospitality, construction, government, and professional services were strong enough to mostly offset losses recorded in construction, finances, retail trade, and manufacturing. If not for the gain of government jobs, primarily in education, job growth was negative as the private sector lost 1,700 jobs over the year.

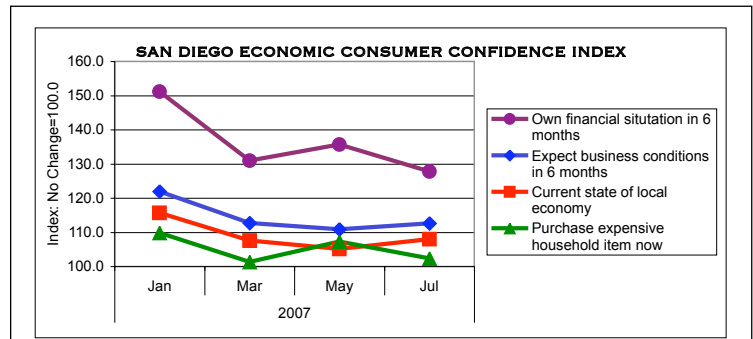
Residential construction actually showed a slight gain in number with 641 housing units approved for building in June 2007, but since housing construction normally increases during the month, the seasonal adjust-

ment shows the number off by 3.2 percent. Over the past year, the number has also plummeted 67.7 percent. Nonresidential construction of office, industrial, and other commercial buildings is also down from recent years, as the real estate sector continues to appear to be dragging San Diego's overall economy downward.

July 2007 San Diego Consumer Confidence Index Slips Again as Personal Situation Outlook Declines

The latest San Diego consumer confidence index slipped to the lowest level recorded so far in 2007. The overall index decreased to 112.7 in July 2007, 1.8 percent less than in May and slightly lower than in March.

While opinions of the local economy returned to where they had been in March, consumer's view of their own personal situation faltered. After dipping in May, positive impressions of the San Diego economy rebounded slightly above where they had been in March. When asked if "now is a good time to purchase an expensive household item," however,



Index*	2007				Jan-Mar	Mar-May	May-Jul
	Jan	Mar	May	Jul			
Overall	124.7	113.2	114.8	112.7	-9.2%	1.4%	-1.8%
Current:Excellent/Good/NotGood/Poor							
State of local economy	115.6	107.6	105.2	108.0	-7.0%	-2.2%	2.7%
Purchase expensive household item	109.9	101.4	107.3	102.3	-7.7%	5.9%	-4.6%
Six Months in Future:Improve/Worsen							
Expect business conditions	121.9	112.7	110.9	112.6	-7.6%	-1.6%	1.5%
Own financial situation	151.2	131.0	135.7	127.8	-13.3%	3.6%	-5.8%

*Index: 100.0=no change.
Source: Competitive Edge Research & Communication, Inc.; San Diego Institute for Policy Research.

4.6 percent fewer thought that it was reflecting a weakening in their personal financial situation.

Expectations for business conditions to improve in the next six months rose slightly, about where they had been four months before. Consumer's outlook on their own near- future financial situation, on the other hand, noticeably soured, declining 5.8 percent.

San Diego consumer's remain on the positive side for current and future economic conditions, on balance 12.7 percent more to the

positive side. Still, it is somewhat disconcerting that optimism has slipped from 24.7 percent above in January, reflecting a significant decrease of positive outlook over the past six months.

The slowness of the housing market may be of concern for many San Diegans. Even though only relative few are actually trying to sell their home, negative trends in the market may be causing less confidence when it comes to consumer's outlook for their personal situation. ■

The San Diego Institute for Policy Research (SDI) is a non-partisan organization that formulates and promotes high quality economic, policy, and public-opinion research so as to improve the efficiency and effectiveness of local governments in San Diego County.

SDI does not assume any legal liability or responsibility for the accuracy or completeness of any information contained herein. SDI expressly disclaims all warranties (whether express, implied or statutory) and liability to the maximum extent permitted by law in relation to the content hereof. The opinions expressed are the personal views and opinions of the authors. Any copying, redistribution or republication of the San Diego Economic Ledger, or the content thereof, is strictly prohibited. ©2007 San Diego Institute for Policy Research, LLC. All rights reserved.

Phone: 858-320-7507 Fax: 858-453-0607 E-mail: kcunningham@sandiegoinstitute.com www.sandiegoinstitute.com



8910 University Center Lane
Suite #220
San Diego, CA 92122

