Nonprofit Paid Employment in Health Care Report, Indiana 1995-2018

August 2020

A joint product of

**The O'Neill School of Public & Environmental Affairs at Indiana University
and the Lilly Family School of Philanthropy**

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Suggested Citation

Nonprofit Paid Employment in Health Care, Indiana 1995-2018, Nonprofit Employment Series, Industry Series, Report 13, by Kirsten A. Grønbjerg and Anjali Bhatt. (Bloomington, IN: Indiana University O'Neill School of Public and Environmental Affairs), August 2020. DOI: 10.13140/RG.2.2.11085.87529

Nonprofit Paid Employment in Health Care for Indiana, 1995-2018

INDIANA NONPROFITS: SCOPE & COMMUNITY DIMENSIONS

NONPROFIT EMPLOYMENT SERIES: REPORT #13

A joint product of

THE O'NEILL SCHOOL OF PUBLIC & ENVIRONMENTAL AFFAIRS AT INDIANA UNIVERSITY BLOOMINGTON

THE INDIANA UNIVERSITY LILLY FAMILY SCHOOL OF PHILANTHROPY

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AUGUST 2020

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KEY FINDINGS

- **Health care employment in Indiana grew 45 percent over the 1995-2018 period.** In 2018, almost 380,000 workers were employed in the health care industry in Indiana, up from almost 263,000 in 1995. By comparison, Indiana's total paid employment increased by only 13 percent, from 2.7 million in 1995 to 3.1 million in 2018.

- **Nonprofit health care employment grew even faster, up by 62 percent from 1995 to 2018**, up by 63,000 additional employees from 101,000 in 1995 to 164,000 in 2018. By 2018, nonprofits employed 43 percent of all paid employees in the health care industry, up from 39 percent in 1995. For-profit paid employment grew by 55 percent and government paid employment decreased by 27 percent in the same period.

- **Nonprofit employment in health care grew at an average annual rate of 2.1 percent between 1995 and 2018** and increased every year during the 24 years, except for 2004 and 2014.

- **For-profit employment in health care grew at a slower annual rate—1.9 percent between 1995 and 2018, while government employment declined at an average annual rate of -1.3 percent.** For-profit growth in health care slowed significantly after 2010 to an average of 1.2 percent, down from 2.4 percent from 1995 to 2009. Government employment in health care has decreased for 16 of the 24 years between 1995 and 2018.

- **Nonprofit payroll for health care more than doubled** to $9.6 billion in 2018, up from $4.1 billion in 1995 (in constant 2018 dollars). Nonprofit payroll in health care has increased every year since 1995 (by an average of 3.8 percent), but the rate of growth has varied. For 8 of the 24 years, annual growth was less than 2 percent, but exceeded 6 percent for another 5 years.

- **Each of the three health care subindustries show distinct patterns of nonprofit paid employment between 1995-2018.** Hospitals account for most nonprofit jobs in the health care industry and those jobs have grown rapidly. Somewhat fewer nonprofit employees work in ambulatory health care services have, but that number has also increased significantly. The smallest of the three, nonprofit nursing and residential care services, has grown only slowly between 1995 and 2018. There are also distinctive patterns for specialty services within each of the three subindustries.

I. INTRODUCTION

Indiana nonprofits account for a significant share of the state's economy – roughly 10 percent of total paid employees and of the state's total payroll in 2018. Total nonprofit employment across all industries has grown every year since 1995, up 57 percent overall by 2018. The vast majority of nonprofit employees are found in key service industries, notably health care, education, membership, and social assistance (Figure 1). However, their contributions differ significantly across these industries.

This report covers the health care industry—the primary component of the health care and social assistance industry as defined by the North American Industry Classification System (NAICS). A separate report examines trends in social assistance.[1]

The health care industry provides a wide range of health-related services of varying frequencies and degrees of specialization to Indiana residents. Most health care industry employees work in hospitals providing in-patient care for various medical or specialized needs. A second major category includes those providing ambulatory service and work in doctor's offices and other health practitioners as well as outpatient care centers, medical and diagnostic laboratories, and home health care services. A final group of health care workers includes those providing nursing and residential care services.

Health care is the second largest industry in Indiana (the first being manufacturing), employing over 12 percent of the state's total work force and accounting for 14 percent of total payroll. Health care is also the largest component of the nonprofit sector in Indiana, responsible for 56 percent of nonprofit paid employment (see dark blue segment in Figure 1). In 2018, 164,000 of the state's 293,000 nonprofit employees were health care workers (not including social assistance). Health care accounted for an even larger proportion (67 percent) of total nonprofit payroll. No other nonprofit industry is comparable in size to nonprofit health care. In fact, the second largest nonprofit industry, education, has only 39,000 employees, about a quarter of those employed in health care.

Figure 1: Nonprofit Sector Employment (in thousands) by Industry (1995-2018)
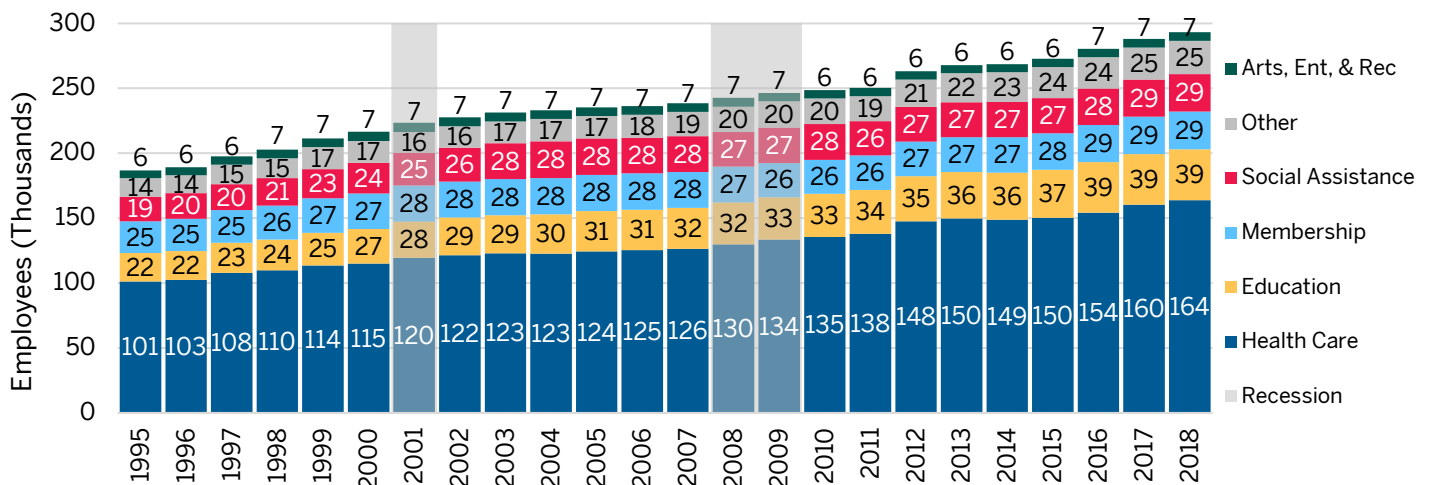
As a large component of Indiana's workforce, the health care industry has been seriously impacted by COVID-19 in 2020. From February through mid-August 2020, almost 82,000 Indiana residents have

[1] *Nonprofit Paid Employment in Social Assistance: Update Report, Indiana 1995-2018*, Nonprofit Employment Series, Industry Series, Report 12, by Kirsten A. Grønbjerg and Anjali Bhatt. (Bloomington, IN: Indiana University O'Neill School of Public and Environmental Affairs), February 2020.

tested positive for COVID-19 and almost 3,000 have died. Cases grew rapidly during March to May before slightly declining until the end of June. Since then, new cases have been on the rise and now exceed the May levels.

The COVID-19 pandemic has a profound impact on the health of Indiana residents, their need for health care services, and consequently health care establishments. They have faced increased costs for protective equipment—disinfection, respirators and other health care supplies, overtime pay for staff, etc. They have also faced a decline in revenues as the stay-at-home order stopped elective procedures and fear of infection kept people at home, resulting in furloughs and layoffs of health care employees.[2] For example, Indiana University Health reported a rise in operating expenses that resulted in an "operating income of $77.6 million [in April 2020], down 50 percent" from the same period last year.[3]

These cases tend to be concentrated in certain population groups. First, those with preexisting health conditions such as heart conditions, cancer, and kidney diseases are most likely to get severe cases of COVID-19 and be hospitalized for it.[4] Additionally, Indiana residents of nursing and residential care facilities (a health care subindustry) are at risk. Roughly 55 percent of Indiana's COVID-19 deaths are linked to nursing homes.[5] In addition, over 5,800 long-term care facilities residents have the virus.[6]

Unemployment claims for health care and social assistance is the fifth highest of all the major industries.[7] Initial unemployment claims spiked during the last two weeks of March up by 11,400 claims from the pre-COVID-19 claim rate of roughly 100 initial claims and 1,000 continued claims every two weeks in 2020.[8] Continued claims peaked at the end of April at almost 26,000 claims. Since then, claims have declined to slightly over 13,000 (July 18th) continued claims and just under 1,800 (July 25th) new claims.

A. HEALTH CARE

In this section, we will look at paid employment and payroll in the health care industry, specifically focusing on the nonprofit sector.[9]

1. EMPLOYMENT

The number of paid employees in health care increased by 45 percent from 263,000 in 1995 to 380,000 in 2018. On average, health care employment grew by 1.6 percent per year over the 1995 to 2018 period, rarely exceeding 3 percent per year (see white dots in Figure 2). The annual growth was positive every year except from 2013 to 2014.

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[2] See Angela Brauer (2020), "Indiana hospitals needing a lifeline; financial fallout surfacing amid COVID surge," available online at https://cbs4indy.com/news/coronavirus/indiana-hospitals-needing-a-lifeline-financial-fallout-surfacing-amid-covid-surge/

[3] See Alya Ellison (2020), "Indiana University Health's operating income drops 50% in Q1," available online at https://www.beckershospitalreview.com/finance/indiana-university-health-s-operating-income-drops-50-in-q1.html

[4] See https://www.cdc.gov/coronavirus/2019-ncov/need-extra-precautions/evidence-table.html

[5] See "More Than 40% of U.S. Coronavirus Deaths Are Linked to Nursing Homes," available online at https://www.nytimes.com/interactive/2020/us/coronavirus-nursing-homes.html

[6] See Emily Hopkins, Tony Cook, and Tim Evans (2020), "New state nursing homes data show more than 100 additional deaths than previously reported," available online at https://www.indystar.com/story/news/health/2020/07/22/coronavirus-indiana-nursing-homes-new-data-published-state/5488604002/

[7] The data includes both health care and social assistance. Thus, we do not know the specific impact on the health care industry.

[8] See http://www.stats.indiana.edu/claims/industry-visualization.asp

[9] The count of employees is an average of workers by quarter by Indiana establishments for a given calendar year and includes both full-time and part-time workers. Total payroll is the sum of quarterly payrolls during a given calendar year and includes total compensation, including bonuses, but not employer contributions to fringe benefits. See Appendix A for the methodology.

Figure 2: Sector Breakdown of Total Percent Change in Health Care Employment (1995-2018)
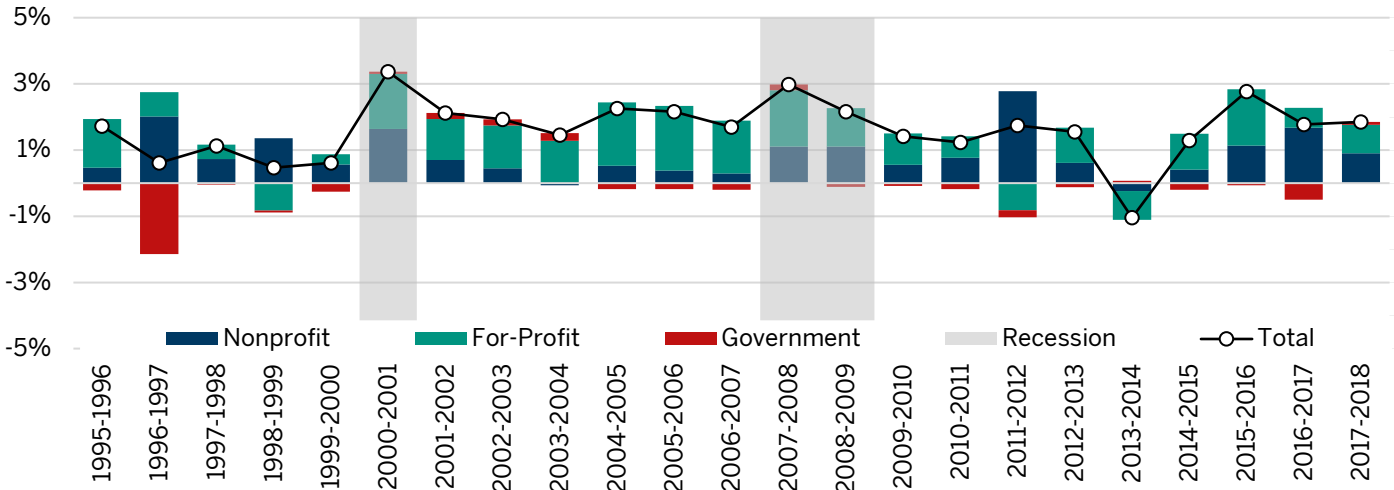
A closer analysis shows that nonprofit employment (blue segments in Figure 2) accounted for most of the overall growth in health care for 8 of the 24 years, while for-profits dominated for the growth for all the remaining years except from 2013-2014 (see green segments). Finally, government employment declined in 15 of the 24 years, down -0.2 percent on average over the period.[10]

As Figure 3 shows, for-profit employment (green line) has been slightly higher than nonprofit employment (blue line) over the entire period, with both increasing at a fairly steady rate. However, the gap widened between 2000 and 2010, when for-profit employment grew at an average annual rate of 1.5 percent, while nonprofit employment only increased at an annual rate of 0.7 percent. The gap then narrowed again between 2010 and 2018. Despite these divergent trends, the overall growth was similar – nonprofit employment increased by almost 63,000 employees (from 101,000 in 1995 to 164,000 in 2018), while for-profit establishments added almost 66,000 new employees (from almost 120,000 in 1995 to 185,000 in 2018). By contrast, government employment (red line) in health care is much smaller and decreased most years, dropping from 41,000 in 1995 to just above 30,000 in 2018 (see Figure 3).

Figure 3: Health Care Employment (in thousands) by Sector (1995-2018)
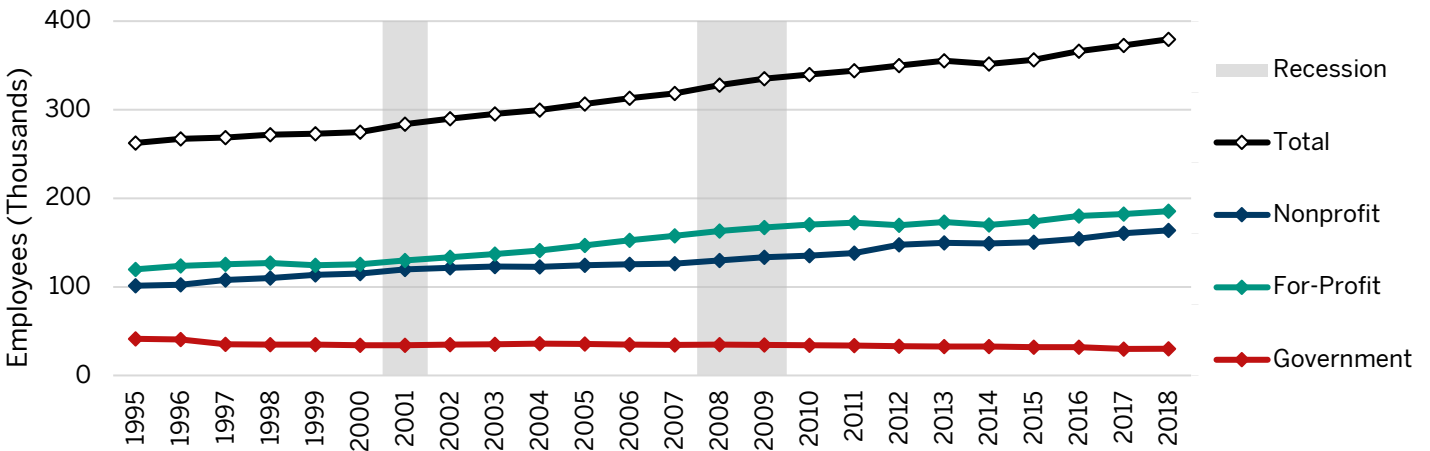
[10] The significant decline in government employment in 1996-1997 may in part reflect conversion of government hospitals to nonprofit auspices.

The nonprofit sector increased its share of total employment in health care, up from 39 percent in 1995 to 43 percent in 2018 (see the blue segment in Figure 4). By contrast, nonprofits have lost their dominant share of social assistance (red segment) down from about 70 percent until 2006 to less than half after 2015. Nonprofits account for a much smaller percent of total employment in arts, entertainment, and recreation (AER) and the nonprofit share dropped rapidly until after 2001 before stabilizing around 15 percent. The nonprofit share has increased in education, as it has in health care, but its share is notably smaller than health care – less than 16 percent compared to 43 percent for health care in 2018.

Figure 4: Share of Nonprofits in Employment in Major Nonprofit Industries (1995-2018)

2. PAYROLL

So far, we have examined paid employment in health care. While payroll trends tend to be similar to employment, health care payroll has grown at a faster rate, up from $4.1 billion in 1995 to $9.6 billion in 2018, or more than doubled in 2018 dollars, adjusted for inflation.[11] Th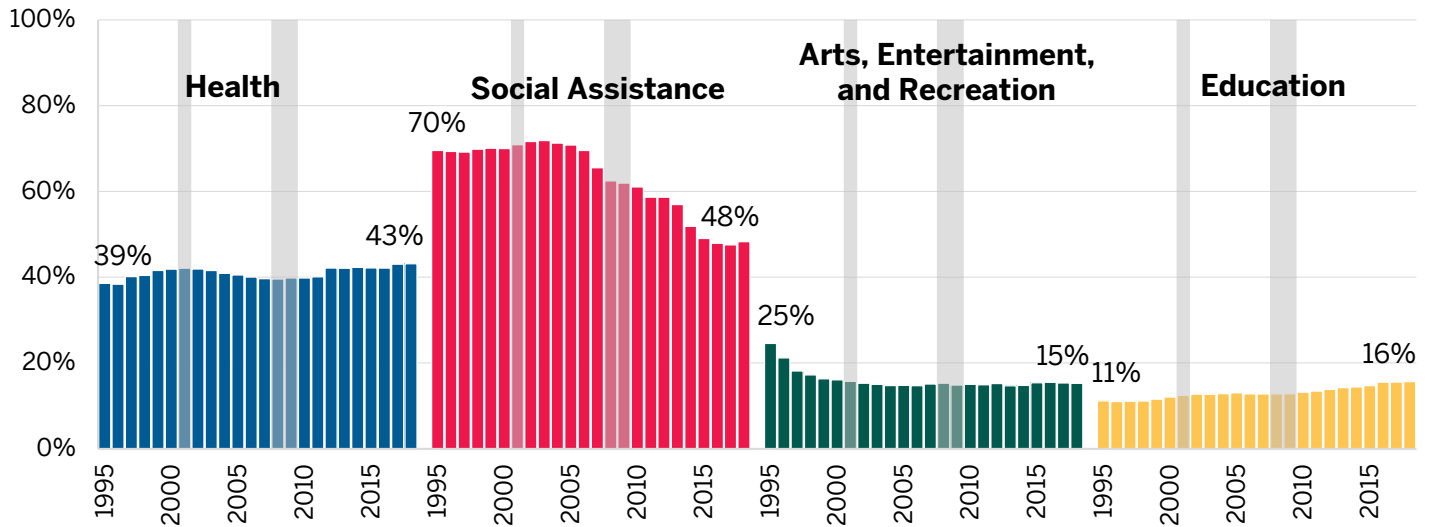e nonprofit share of total payroll also increased significantly over time – and faster than employment – increasing from 36 percent in 1995, to 48 percent in 2018.

Nonprofit and for-profit payroll in health care have both increased over the period with nonprofit payroll growing at an average annual rate of 3.8 percent, compared to 1.9 percent for for-profit payroll. From 2008 to 2015, nonprofit payroll grew at an even faster rate (5.1 percent), while for-profit payroll grew very slowly at the average annual rate of only 0.3 percent (adjusted for inflation).

As Figure 5 shows, for most of the 1995-2018 period, for-profit payroll (green line) exceeded nonprofit payroll (blue line). From 1995 to 2005 the average annual gap was $1.5 billion increasingly slightly to $1.8 billion from 2006 to 2011. However, after 2012 the gap decreased dramatically and disappeared by 2014, By 2018, nonprofit payroll surpassed for-profit payroll by $800 million.

Government payroll increased slightly over the 1995 to 2018 period, up from $1.6 billion in 1995 to almost $1.8 billion in 2018, despite losing 11,000 paid employees. Not surprisingly, given the decline in number of employees, the annual growth in government health care payroll is much smaller than the other two sectors.

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[11] Previous reports have used other years as a benchmark for payroll data. Thus, some payroll values may vary between reports.

Figure 5: Health Care Payroll (in billions) by Sector (1995-2018)
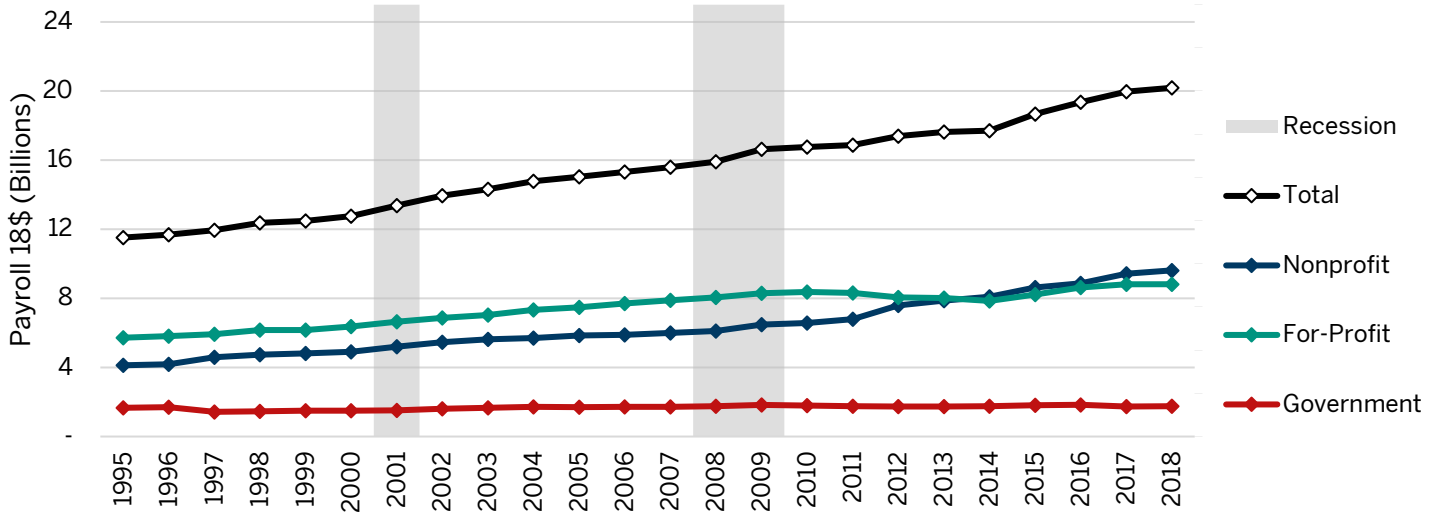
Growth of the health care payroll outpaced growth in employment, especially since 2011. Despite this, the industry's patterns are generally consistent for employment and payroll. For additional insights into health care payroll, see Appendix C.

II. HEALTH CARE SUBINDUSTRIES

The trends mentioned above describe the overall health care industry. However, each of the subindustries of health care show diverse patterns. Under the North American Industry Classification System (NAICS) health care has three major subindustries: hospitals, ambulatory health care services, and nursing and residential care facilities.[12] Each of these subindustries have several minor subindustries which we explore as well.

Historically, hospitals have dominated the health care industry, accounting for 151,000 of the 380,000 paid health care employees in 2018, followed by ambulatory health services (148,000) and nursing and residential care services (80,000). Moreover, for 11 of the 24 years during the 1995-2018 period, growth in hospital employment drove nonprofit employment in the industry, although surpassed by growth in nonprofit ambulatory health care services for 10 years, especially consistent between the 2010-2015 period. Nursing and residential care services experienced minimal growth and on average accounted for only 0.1 percentage points of the average annual 2.1 percent total growth in nonprofit health care. For more details on nonprofit percent growth, see Appendix B.

The nonprofit share of hospitals has grown significantly from 71,000 paid employees in 1995 to 106,000 paid employees in 2018 (blue segment in Figure 6). The ambulatory services subindustry has a similarly high growth rate, despite its significantly smaller nonprofit count, increasing from 12,000 in 1995 to 37,000 in 2018. Finally, nursing facilities has grown minimally, only increasing by 3,000 nonprofit paid employees from 18,000 in 1995 to 21,000 in 2018. Payroll for these subindustries show a similar distribution and growth rates. See Appendix C for details.

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[12] A fourth subindustry, Social Assistance, is the subject of a separate report, *Nonprofit Paid Employment in Social Assistance: Update Report, Indiana 1995-2018*, Nonprofit Employment Series, Industry Series, Report 12, by Kirsten A. Grønbjerg and Anjali Bhatt. (Bloomington, IN: Indiana University O'Neill School of Public and Environmental Affairs), February 2020.

Figure 6: Nonprofit Employment (in thousands) in Health Care by Major Subindustry (1995-2018)
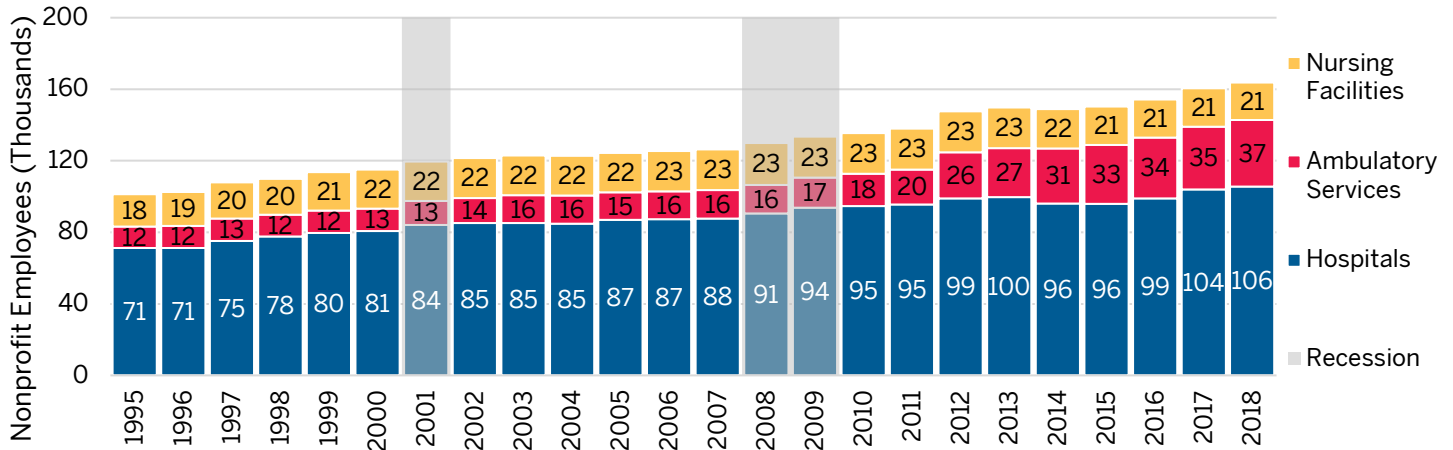
The following sections examine each of the three major subindustries and their corresponding minor subindustries. We identify distinct nonprofit patterns in employment, payroll, average size of establishment, and average annual wages.

A. HOSPITALS

We begin with the largest component of health care employment: hospitals. Hospitals employ 40 percent of the total health care work force and 65 percent of the nonprofit health care workforce. The overall subindustry is notable for its immense size and overall growth, particularly for its nonprofit sector.

Nonprofits accounted for 70 percent of all hospital paid workers in 2018. As shown in Figure 7, the government sector is the second largest with 19 percent share of total employment in 2018. For-profits accounted for only 11 percent of total hospital employment in 2018, up from just 5 percent in 1995. For-profit employment increased 181 percent from 6,000 paid employees in 1995 to over 16,000 paid employees in 2018. Nonprofits had a notably smaller percentage growth (48 percent) but this sector grew the most in magnitude, up by 35,000 to 106,000 paid employees during this period. In contrast, government employment decreased by 23 percent during the same time span, down from about 37,000 employees in 1995 to 29,000 in 2018.

Figure 7: Hospitals Paid Employment (in thousands) by Sector (1995-2018)
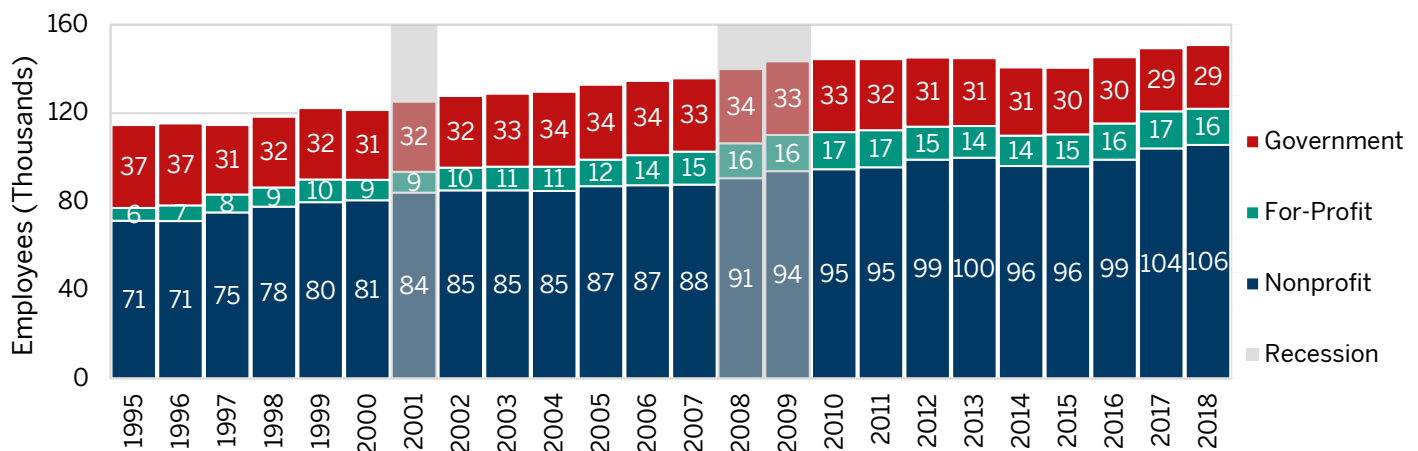
Hospital payroll increased even faster – total payroll almost doubled from $4.9 billion in 1995 to $8.4 billion in 2018. Nonprofit payroll was a large portion of this growth, increasing by $2.9 billion over the 1995-2018 period (a 90 percent increase). For-profit payroll grew by 227 percent ($542 million increase from 1995-2018). Even the government sector grew in payroll (7 percent) despite its decrease in employment. See Appendix C for more details.

While the trends above describe the hospitals subindustry overall, there are distinctive trends for three different types of hospitals: general medical and surgical hospitals, specialty hospitals, and psychiatric and substance abuse hospitals. General hospitals account for 94 percent of all hospitals employment and drives the overall trends. Psychiatric and specialty hospitals account for only 3.5 and 2.9 percent, respectively.[13]

To examine differences among the minor subindustries, we look at the average size of establishments (calculated by dividing total employees by total establishments). These averages should be interpreted with caution, however, since they may hide very large or very small establishments. They also do not distinguish between full-time and part-time workers.

Figure 8 shows the average size of the hospitals subindustry and its three minor subindustries. We also distinguish between nonprofit and for-profit establishments. General hospitals are by far the largest with roughly 1,006 employees per establishment. This is significantly larger than the average size of psychiatric hospitals (177) and specialty hospitals (171) which provide a much narrower range of in-patient services (e.g., respiratory care, maternity care, substance abuse). By contrast, generalist hospitals provide wider variety and larger volume of services than specialized hospitals.

For each type of hospitals, nonprofits on average are larger than their for-profit counterparts. This is particularly the case for general hospitals where nonprofits on average have roughly three times the number of employees as for-profits. Nonprofit specialty hospitals have more than twice the number of employees on average as for-profit specialty hospitals. The difference is much smaller for psychiatric hospitals. Average size for government hospitals (730) falls roughly at the midpoint of the size of nonprofits and for-profits overall and for general hospitals. However, government psychiatric hospitals are almost three times the size of private psychiatric hospitals.

Figure 8: Hospitals Subindustries Average Size of Establishments by Sector (2018)[14]


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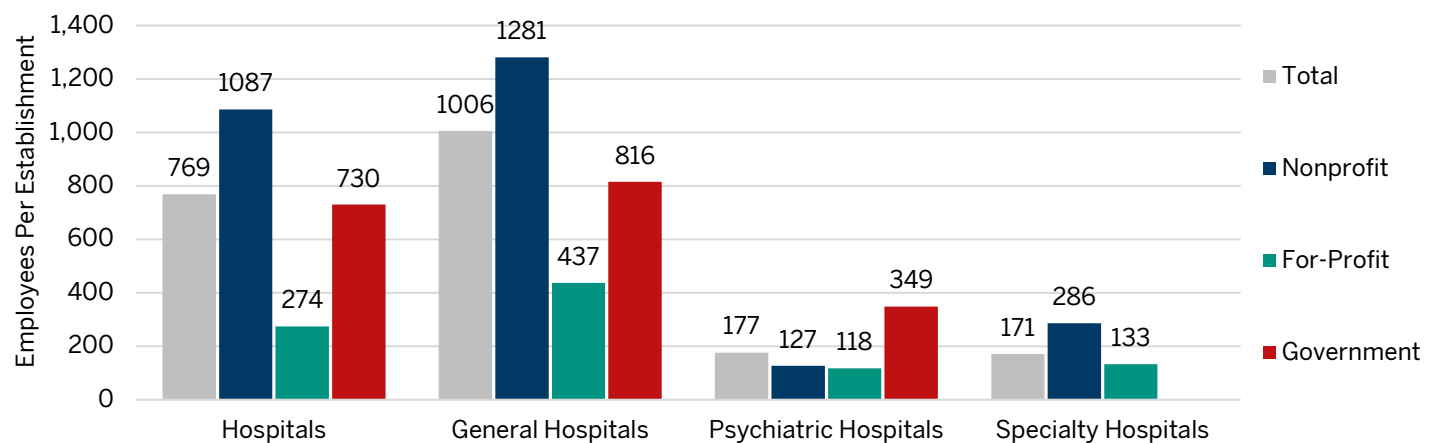
[13] The sum of these percentages exceeds 100 percent due to rounding.
[14] Due to confidentiality restrictions, Figure 8 and 9 do not show government averages for specialty hospitals.

In addition to average size, an analysis of average wage helps us further identify the diverse patterns of the subindustries. Average wage is calculated by dividing the annual payroll (adjusted for inflation to 2018 dollars) by the number of employees. These values also should be interpreted with caution, since averages may hide very large or very low annual wages in some establishments or subindustries. In addition, the number of employees include both part-time and full-time workers, so that industries (or establishments) with many part-time workers may appear to have very low average annual wages. Total payroll includes monetary compensation (e.g., salary, wages, bonuses, commissions, incentive payments, and tips), but not deductions (such as taxes) or fringe benefits.

Average wage is more similar between the subindustries than average size (see Figure 9) – most likely because many skill sets are transferable between subindustries and different types of hospitals compete for the same workers (e.g., nurses). Several patterns stand out. First, nonprofit average annual wages are in line with government wages but higher than for-profit wages for each type of hospitals with two exceptions. Government wages are higher in psychiatric hospitals ($50,000) than nonprofit wages ($44,000). In addition, the gap between nonprofits and for-profits is high for specialty hospitals where the difference is about $17,000 per year. The gap is much smaller ($8,000) for generalist hospitals. Second, nonprofit annual wages are substantially higher in specialty hospitals ($65,000) than in generalist hospitals ($57,000), while average annual for-profit wages are quite similar ($48-$49,000). Third, psychiatric and substance abuse hospitals have the lowest average annual wages among the three types of hospitals and are fairly similar to nonprofit and for-profit establishments ($42-$44,000).

Figure 9: Hospitals Subindustries Average Wage by Sector in thousands of dollars (2018)
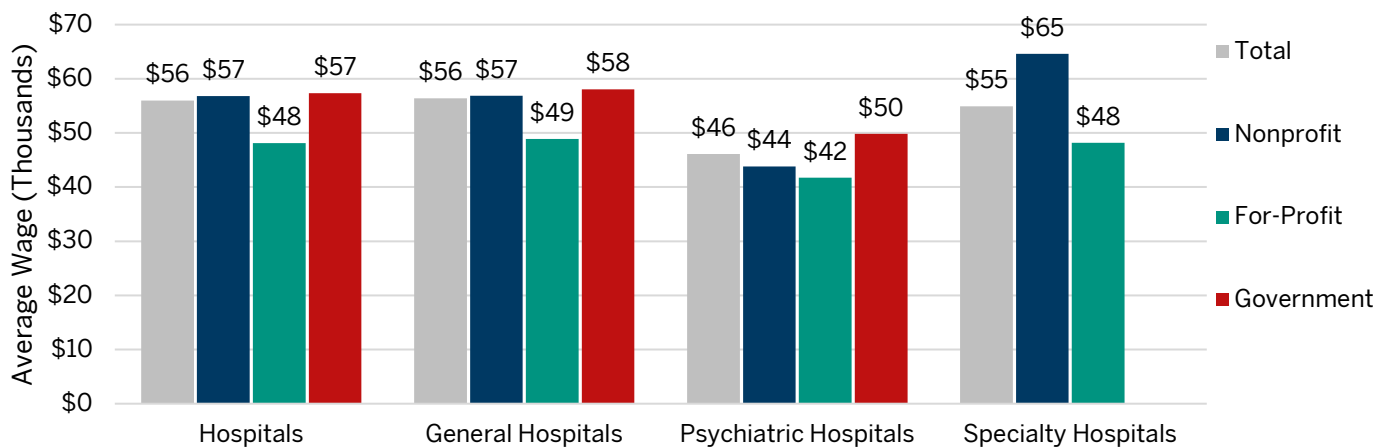
Next we take a further look into the minor subindustries.

1. GENERAL MEDICAL AND SURGICAL HOSPITALS

As noted earlier, general medical and surgical hospitals account for the vast majority (94 percent) of employment in the hospitals subindustry and the patterns described above for the overall hospital subindustry is very similar to what we find for this type of hospital.

Similar to the hospitals major subindustry, general hospitals is primarily composed of nonprofits. In fact, 73 percent of general hospitals workers were employed by nonprofit hospitals in 2018. Figure 10 shows the growth of the nonprofit sector over time. Similar to the rapid growth outlined for for-profits in the hospitals subindustry, for-profit employment quadrupled in growth (see light green segments in Figure 10). Government employment declined from 32,000 in 1995 to 26,000 in 2018.

Figure 10: General Hospitals Paid Employment (in thousands) by Sector (1995-2018)
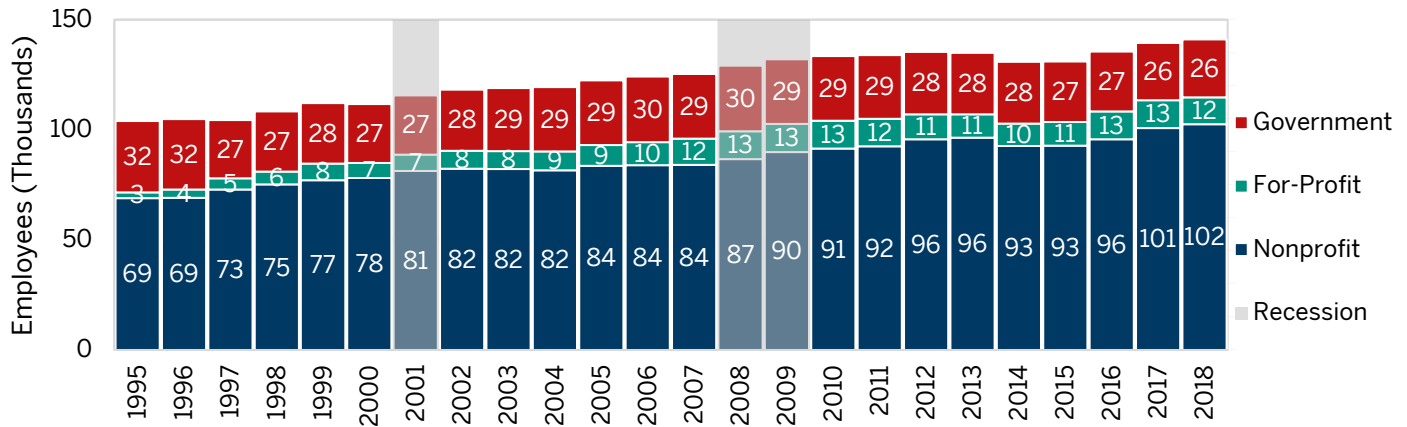
The payroll patterns of general hospitals are largely similar to its employment values and what we explored in the hospitals industry. Nonprofit payroll increased by 90 percent, from $3.1 billion in 1995 to $5.8 billion in 2018. For-profit employment grew much faster, by 497 percent from $100 million in 1995 to $598 million in 2018. See Appendix C for more details.

2. SPECIALTY HOSPITALS

Specialty hospitals provide specialized services for particular diseases or medical conditions (excluding psychiatric and substance abuse needs). Overall, it is the smallest of the three minor hospital subindustries, but it has more nonprofit employees than psychiatric hospitals.

Private employment in specialty hospitals have grown 151 percent, up from 1,700 in 1995 to a total of almost 4,400 in 2018. As shown in Figure 11, the for-profit and nonprofit sector have both grown at roughly the same pace and the nonprofit share of private sector employment has remained at roughly 40 percent, except for 2004 to 2006 where the split was closer to 50 percent each.

Figure 11: Specialty Hospitals Paid Employment (in thousands) by Sector (1995-2018)
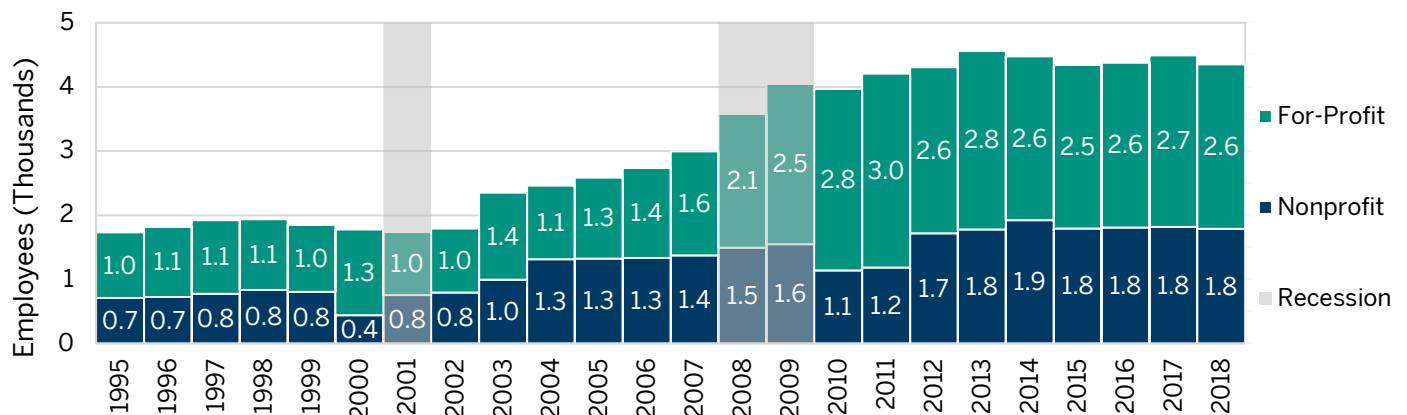
Private sector payroll for specialty hospitals has grown much faster than employment, increasing from $73 million in 1995 to $239 million in 2018 (up by 226 percent), but the nonprofit/for-profit shares of payroll are similar to employment. Nonprofit payroll grew by $83 million during the 1995 to 2018 period, accounting for half of the total growth of the industry. On average, 45 percent of the total industry payroll each year was accounted for by nonprofit specialty hospitals. See Appendix C for more details.

Specialty hospitals are still only a small percent of the hospitals subindustry, 1.7 percent of nonprofit hospitals employment. This is the only subindustry of the hospitals subindustry to not have government employees.

3. PSYCHIATRIC AND SUBSTANCE ABUSE HOSPITALS

Psychiatric and substance abuse hospitals have played a key role in responding to substance abuse and psychiatric need in Indiana, but the service modality has changed from more reliance on in-patient care to more focus on out-patient services.[15] This is evident in the overall decline in employment in psychiatric and substance abuse hospitals, down from almost 9,000 in 1995 to about 5,000 in 2018. The largest sector, government, lost over half of its employees from 1995 to 2018, down from 5,100 to 2,500 in 2018. It averaged about 57 percent of total employment in this type of hospitals between 1995 and 2009 but dropped to only 47 percent in 2018 thus its loss accounts for most of the overall decline in this minor subindustry. For-profit psychiatric and substance abuse hospitals also lost employment, down from 2,100 employees in 1995 to 1,400 in 2018. Nonprofits lost the fewest employees over time, roughly 150 employees, from 1995 to 2018 where it had 1,400 employees. As a result of these divergent trends, the nonprofit share of employment in these types of hospitals increased from 18 percent in 1995 to 26 percent in 2018.

Figure 12: Psychiatric Hospitals Paid Employment (in thousands) by Sector (1995-2018)
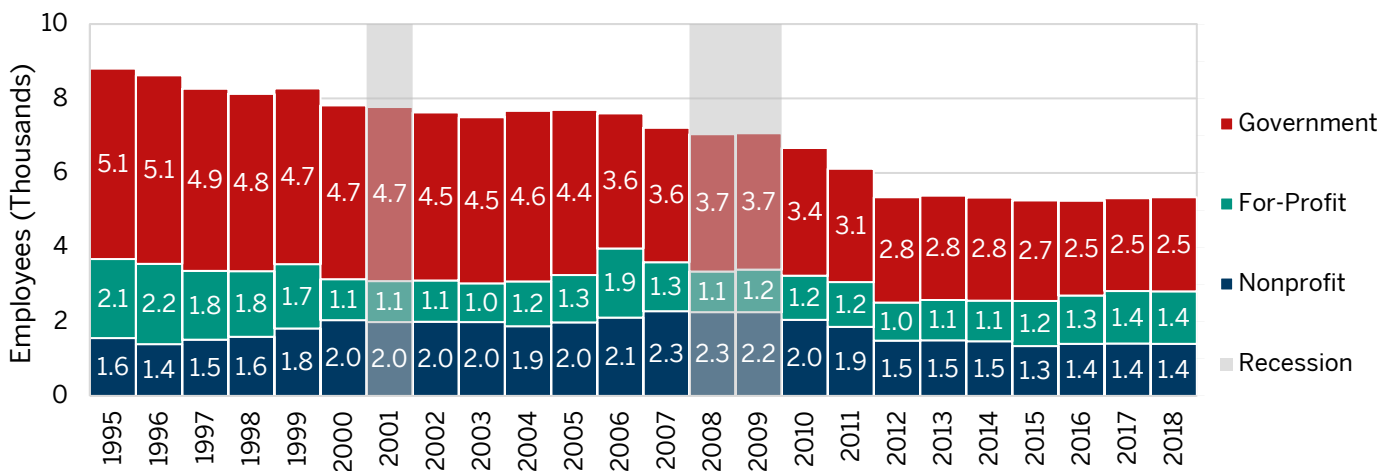
Payroll for this subindustry declined in the same manner. Total payroll dropped by almost $123 million, going from $369 million in 1995 to $246 million in 2018. However, this decline was a result of the decreasing government and for-profit payroll. Nonprofit payroll increased slightly by $1 million from 1995 to 2018. See Appendix C for further details.

While general hospitals are dominated by nonprofit employment and specialty hospitals favor for-profit employment (60 percent), psychiatric hospitals have a high government presence and an almost even split between the for-profit and nonprofit sectors, 26 percent each in 2018. The psychiatric hospital subindustry is also unique in its overall loss of employment.

Next, we take a look at another major subindustry–ambulatory health care services.

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[15] Lutterman, T., Berhane, A., Phelan, B., Shaw, R., & Rana, V. (2009). *Funding and characteristics of state mental health agencies, 2007. HHS Pub. No. (SMA) 09-4424. Rockville, MD: Center for Mental Health Services, Substance Abuse and Mental Health Services Administration.*

B. AMBULATORY HEALTH CARE SERVICES

Ambulatory health care services provide medical services to patients at various doctor's offices, health practitioners' offices, and laboratories. They also work in outpatient care centers and home health care services, the two largest subindustries. Ambulatory services is similar in size to the hospitals subindustry, also accounting for roughly 39 percent of total health care employment. Ambulatory services had 147,000 private employees in 2018, up from almost 82,000 in 1995, or by 80 percent (see Figure 13). As noted earlier, from 2009 to 2015, ambulatory services was the fastest growing subindustry of health care (see Appendix B for more details).

In contrast to the hospitals subindustry where nonprofits account of 70 percent of total employment, ambulatory services has been dominated by for-profit employees throughout the 1995-2018 period, as shown in Figure 13. However, while both nonprofit and for-profit employment has grown, the growth has been particularly high for nonprofit employment, especially from 2009 to 2015. Overall, nonprofit employment more than tripled from 12,000 in 1995 to 37,000 workers in 2018, while for-profit employment did not even double from 70,000 employees in 1995 to 110,000 in 2018 (up by 58 percent). As a result of these divergent trends, the percent of nonprofit employees increased from 15 percent of total employment in ambulatory services in 1995 to 25 percent in 2018.[16]

Figure 13: Ambulatory Services Paid Employment (in thousands) by Sector (1995-2018)
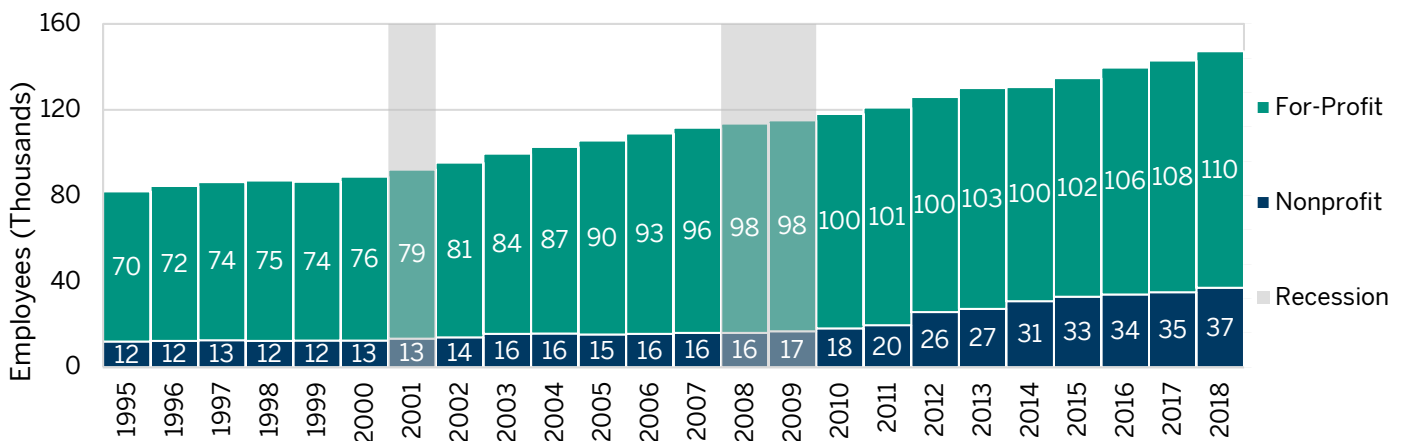
Private payroll grew from $4.9 billion in 1995 to $9.2 billion in 2018, 88 percent growth. The nonprofit payroll grew dramatically to six times its size from $502 million in 1995 to nearly $3 billion in 2018. For-profit payroll increased as well, but not by nearly as much, up $1.8 million from $4.4 billion in 1995 to $6.2 million in 2018. See Appendix C for further details.

Ambulatory services is a diverse subindustry with many minor subindustries which vary in size. The largest is offices of physicians with 54,000 workers in 2018 (36 percent of all ambulatory services employees). More than half (55 percent) of nonprofit ambulatory services workers worked in this subindustry. Unfortunately, our data for this specific industry is limited to the period 2012-2018.

Two other key subindustries are outpatient care centers and home health care services which hold 12 and 15 percent of total ambulatory services employment, respectively. Together, they employ one-third of

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[16] Government data is excluded from ambulatory services and its subindustries due to confidentiality reasons given their smaller size. For further details please see Appendix A. Instead we will primarily focus on the private sector.

nonprofit workers of this industry (most work in outpatient care centers). We focus on these three subindustries because they include most of the nonprofit employment in overall ambulatory care. The final third of nonprofit employment is distributed among the many even smaller subindustries (e.g., laboratories or physical therapists).

On average, ambulatory service establishments are much smaller than hospitals, with only about 17 workers per establishment (see the first gray bar in Figure 14), but there are substantial differences among the three subindustries included in our analysis and between nonprofit and for-profit establishments within the subindustries. The average size for home health care services establishments (40) is approximately double the size of outpatient care centers (21) and offices of physicians establishments (22).

Figure 14: Ambulatory Services Subindustries Average Size of Establishment by Sector (2018)
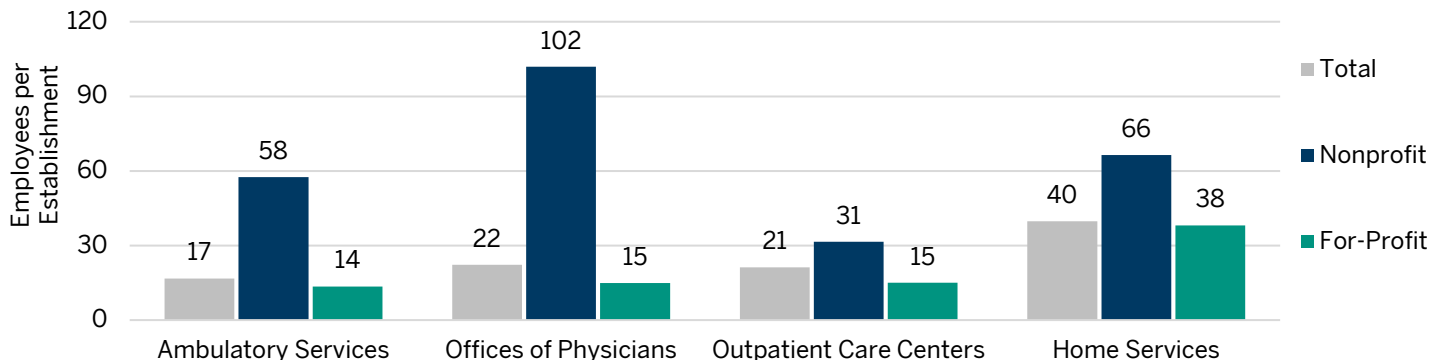
Similar to the hospitals subindustry, nonprofit establishments have many more employees on average than for-profit establishments. This is especially true for offices of physicians where the average size for nonprofits is 102 employees compared to only 15 for for-profit establishments. While the average size of nonprofit establishments increased for outpatient care centers (from 26 to 31 employees from 1995 to 2018) and offices of physicians (from 84 to 102 employees from 2012 to 2018), nonprofit home health care services decreased in average size (from 75 in 1995 to 66 employees in 2018).

The average wage of an employee in ambulatory services is $62,000 for all subindustries combined (see Figure 15). Offices of physicians has the highest average wage ($93,000) almost double that of outpatient care centers ($49,000) and triple the average wage of home services ($32,000).Moreover, nonprofit average wages are generally higher than for-profit wages, except for outpatient care centers.

Figure 15: Ambulatory Services Subindustries Average Wage (in thousands) by Sector (2018)
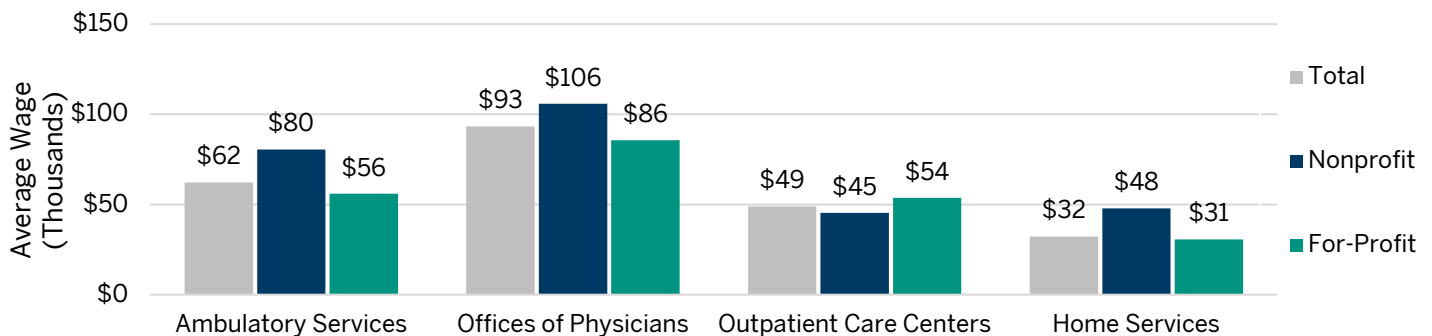
Next we take a further look into the three key minor subindustries.

1. OFFICES OF PHYSICIANS

Offices of physicians provide a wide range of both general and specialist medical services, such as family physicians, cardiologists, acupuncturists, gynecologists, neurologists, etc. Our data for this subindustry is limited to 2012-2018. With roughly 53,000 employees in 2018, offices of physicians are the largest subindustry of ambulatory services. In fact, 36 percent of private employment in ambulatory services is within this subindustry.

Private employment in offices of physicians has grown only minimally from below 49,000 in 2012 to 53,000 in 2018 as shown by Figure 16, an 8 percent increase. However, the nonprofit sector more than accounted for all of the growth, up by 46 percent from 14,000 to 20,000 employees during the 2012-2018 period, or from 28 to 40 percent of total private sector employment. In the same period, for-profit employment declined from 35,000 to 32,000, a 6 percent decrease.

Figure 16: Offices of Physicians Paid Employment (in thousands) by Sector (2012-2018)
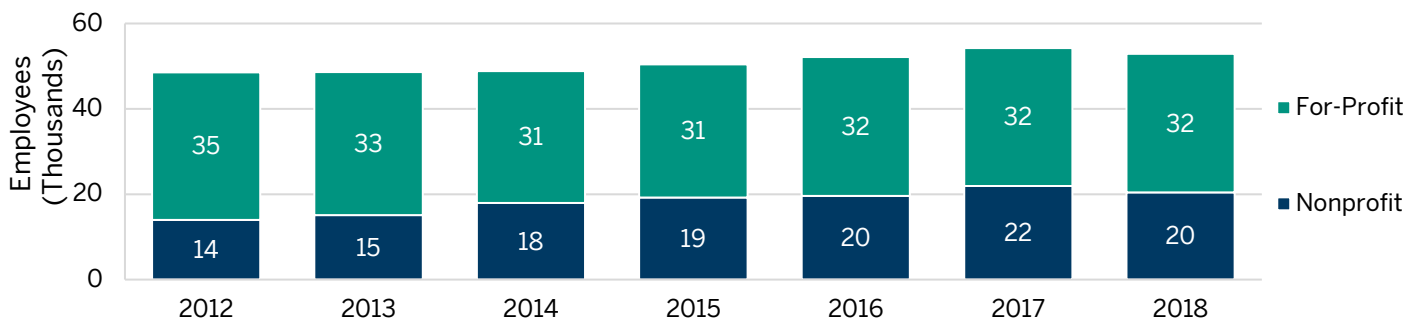
Private payroll for offices of physicians grew similarly to employment. Payroll grew from $4.2 billion in 2012 to $4.9 billion in 2018, an 18 percent increase. All of the increase reflected growth in nonprofit payroll, which grew from $1.2 billion in 2012 to $2.2 billion in 2018, or a 77 percent increase. For-profit payroll decreased by 6.5 percent, from $3 billion to $2.8 billion during this same time period. See Appendix C for further details.
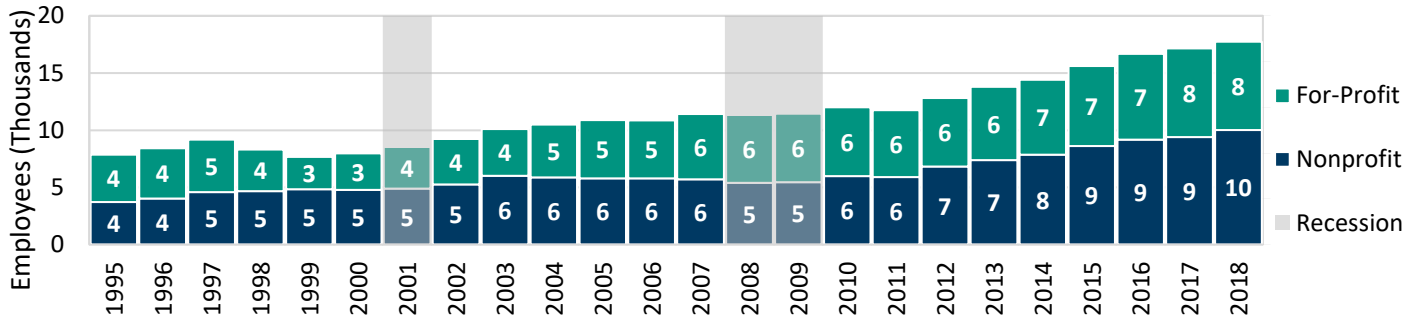
2. OUTPATIENT CARE CENTERS

Outpatient care centers provide various medical services to patients for treatments at places such as HMO medical centers, kidney dialysis centers, family planning centers, outpatient mental health and substance abuse centers, and freestanding ambulatory surgical and emergency centers. At almost 18,000 employees it is only the fifth largest of the nine minor subindustries under ambulatory care. However, its nonprofit employment is the second largest of the minor subindustries in ambulatory care. This subindustry is characterized by its large nonprofit presence, employing 27 percent of the nonprofit ambulatory health care services subindustry.

Total private sector employment in outpatient care centers has more than doubled from 7,900 employees in 1995 to almost 18,000 in 2018, as shown in Figure 17. Almost two-thirds of this growth was due to nonprofit employment and the nonprofit share of this subindustry has increased from 45 percent in 1995 to 56 percent in 2018. Nonprofit growth has occurred in three distinct phases. From 1995 to 2003 there was high nonprofit growth, an average annual 6.4 percent growth. Then, from 2004 to 2011 there was a decline in nonprofit employment, down by an average of 0.2 percent each year. During this time, for-profit employment also seemed to stagnate, and both sectors were nearly equal in size. Since 2011, nonprofit

employment increased rapidly at an average annual rate of 7.9 percent. Total growth was typically much less. In fact, on average the total annual growth rate was 3.6 percent from 1995-2018.

Figure 17: Outpatient Care Centers Paid Employment (in thousands) by Sector (1995-2018)

Total private payroll in outpatient care centers more than doubled from $407 million in 1995 to $867 million in 2018. Most of the growth was in nonprofits, up $300 million from $153 million in 1995 to $453 million in 2018. This growth exceeded that of the for-profit sector and as a result, the nonprofit share of outpatient care centers payroll increased from 36 percent in 1995 to 52 percent in 2018. See Appendix C for more details.

3. HOME HEALTH CARE SERVICES

Home health care services is the third largest subindustry of ambulatory services. Establishments in this subindustry provide skilled nursing services in the home along with a variety of other personal care services in the home, including homemaker and companion services, medications, dietary and nutrition services, and various kinds of therapy.

Total private sector employment was almost 22,000 employees in 2018, up 61 percent from a little more than 13,000 in 1995 (see Figure 19). Home health care services is characterized by its large for-profit presence, which has grown over time. The nonprofit share has declined from 30 percent in 1995 to only 10 percent in 2018 and is much smaller than their share of the ambulatory services subindustry overall.

As shown in Figure 18, nonprofit employment in home health care has been declining over time, especially during the 1995-1999 period when it declined at an average annual rate of 12 percent. Then, nonprofit employment grew by an average annual 3 percent from 2001 to 2007, but then declined again at an average annual 1.7 percent decrease. For-profit employment grew most years, only declining from 1997 to 2001. In total, for-profit employment grew by 10,000 employees (or 108 percent) between 1995 and 2018, while nonprofit employment dropped from 4,000 employees in 1995 to less than 2,100 in 2018.

Figure 18: Home Health Care Services: Number of Employees (in thousands) by Sector (1995-2018)
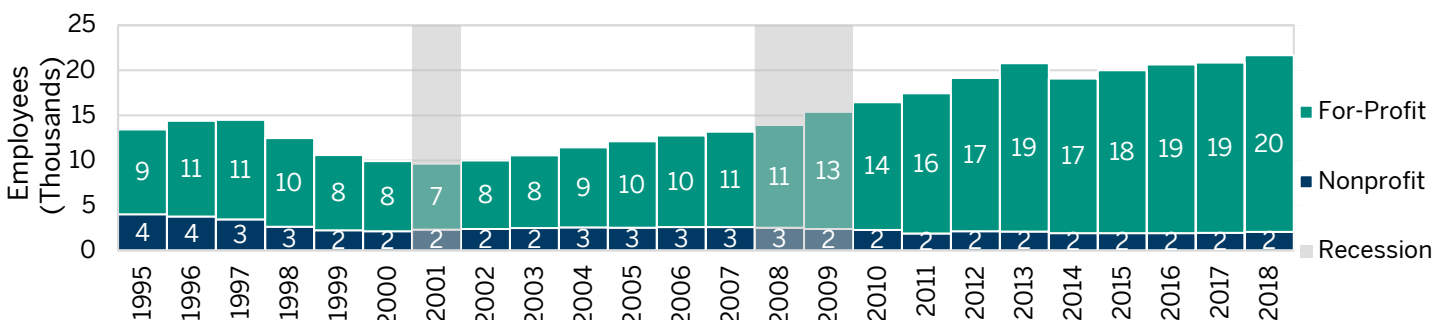
Private payroll for home services grew from $358 million in 1995 to over $700 million in 2018, a 96 percent increase. Nonprofit payroll declined from $123 million to $99 million, a 19 percent decrease during the period. During this same time, for-profit payroll grew from $235 million to $601 million, or by a 155 percent increase. See Appendix C for more details.

C. NURSING AND RESIDENTIAL CARE FACILITIES

Of the three major health care subindustries, nursing and residential care facilities is the smallest, particularly for nonprofit employment. Key services in this industry includes skilled nursing care facilities, residential facilities for patients with intellectual and developmental disabilities, mental health, and substance abuse problems, as well as retirement communities, assisted living facilities, and similar services. This industry is characterized by its limited growth, only 29 percent growth from 62,000 private employees in 1995 to 80,000 in 2018. This was particularly the case for the nonprofit sector, where employment increased by only 3,000 workers, up from 18,000 in 1995 to 21,000 in 2018, or by 17 percent, while for-profit employment increased at twice that rate, 34 percent.

The pattern of nonprofit growth for this subindustry is characterized by two periods. First, from 1995 to 2002, nonprofit employment grew to 22,500 employees in 2002, but then decreased slowly to 21,000 in 2018. The percent of this industry that was nonprofit stayed between 25 and 35 percent for the full 1995 to 2018 period. As Figure 19 suggests, roughly three-fourths of all workers are employed by for-profits.

**Figure 19: Nursing Facilities Paid Employment (in thousands) by Sector (1995-2018)**
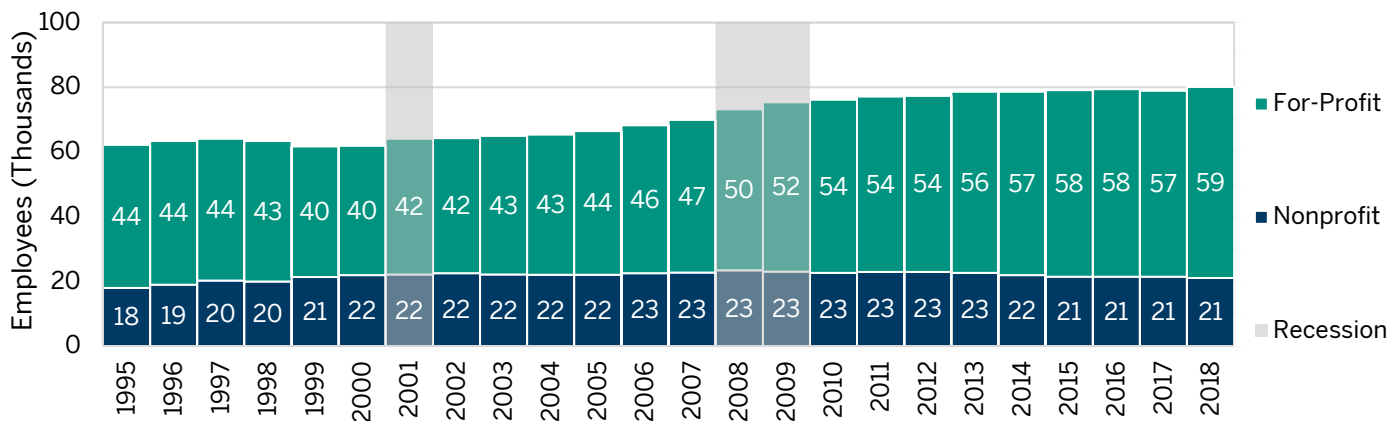
Private payroll increased for every year between 1995 and 2018, except for three years. This is in notable contrast from employment, which decreased for exactly half of the years between 1995 and 2018. Nonprofit payroll increased by 33 percent from $471 million in 1995 to $626 million in 2018, less than the 17 percent increase in number of employees, indicating that average wages increased. See Appendix C for details.

The nursing facilities subindustry has four subindustries underneath it. The largest is skilled nursing facilities, which account for 59 percent of the nursing facilities industry. Retirement communities account for nearly a quarter of total employment, followed by developmental disability facilities at about 12 percent. Finally, other residential care facilities are the smallest portion, accounting for only 5 percent of the total major subindustry.

As Figure 20 shows, skilled nursing facilities and retirement communities are larger in size, employing an average 94 and 62 employees per establishment, respectively. Developmental disability facilities and

other residential care facilities are much smaller in size, with an average of 20 and 32 employees per establishment, respectively. In addition, as is the case with most subindustries in the health care services industry, nonprofit establishments on average are larger in size than their for-profit counterparts for each of the subindustries shown in Figure 20.

Figure 20: Nursing Facilities Subindustries Average Size of Establishments by Sector (2018)
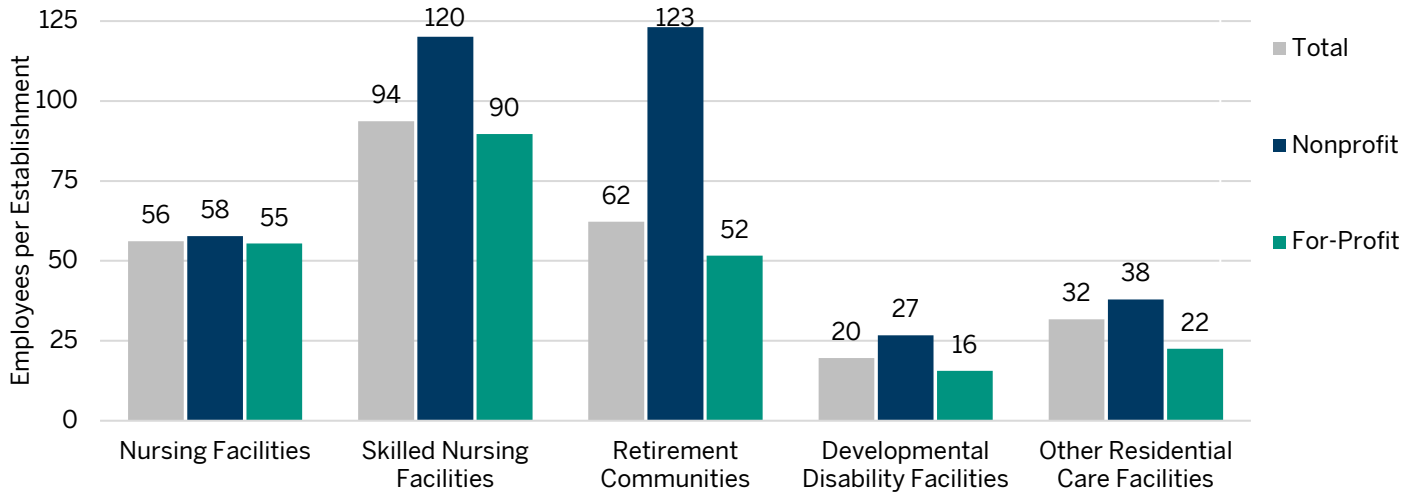
Unlike the distinctive differences in large and small average sizes noted above, average wage tends to be more uniform across industries, ranging between $29-32,000 for nursing facilities and each of its subindustries. As in the case of hospitals, this likely reflects the fact that these subindustries recruit workers from overlapping pools of potential employees. In contrast to other health care subindustries, Figure 21 suggests that for-profit wages on average tend to be similar to, or slightly higher than, nonprofit wages for each subindustry.

**Figure 21: Nursing Facilities Subindustries Average Wage (in thousands) by Sector (2018)**
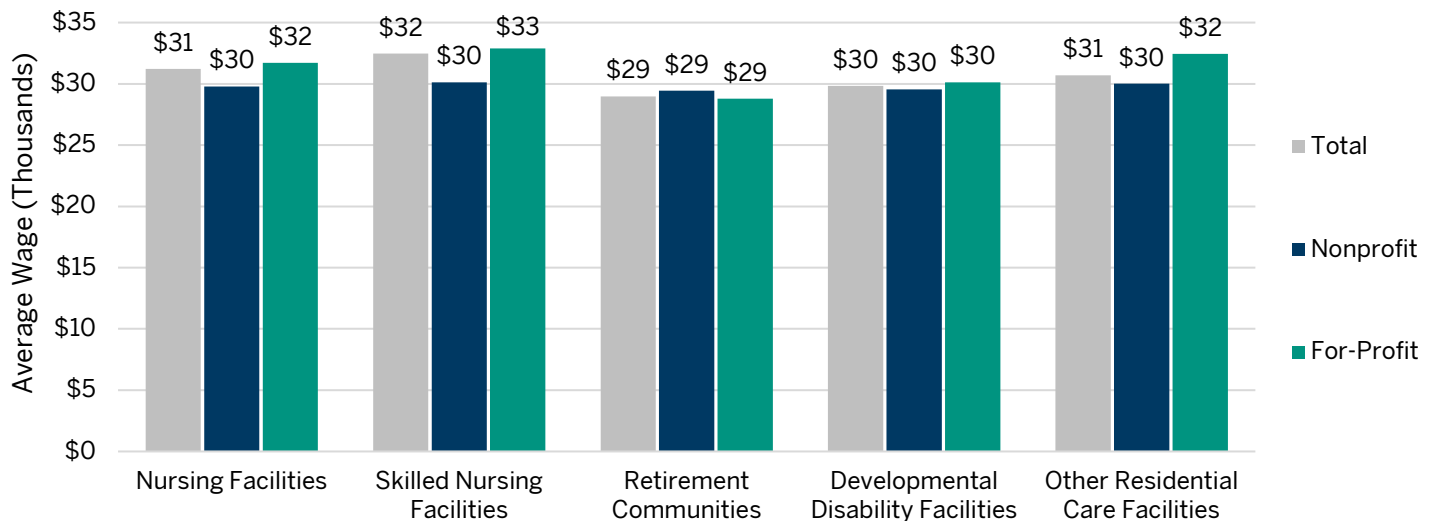
Next we take a further look into these minor subindustries, starting from the industry with the highest number of nonprofit employees, skilled nursing facilities.

1. NURSING CARE FACILITIES (SKILLED NURSING FACILITIES)

Skilled nursing facilities is the largest minor subindustry within nursing and residential care facilities. Those in skilled nursing facilities provide inpatient nursing and rehabilitative services, usually for an extended period of time. These facilities have a permanent core staff or registered or licensed practical nurses. Despite having the most nonprofit employment of the subindustries in the nursing and residential care facilities, the nonprofit percent share of employment is by far the smallest – only about 16 percent, except for 1999 to 2008, when the share was closer to 20 percent.

Private employment in skilled nursing facilities has remained stable over time, growing by only 2,000 employees from 45,000 employees in 1995 to just over 47,000 employees in 2018 (see Figure 22). The slow growth has characterized both nonprofit and for-profit employment, each increasing by roughly 1,000 employees from 1995 to 2018. The average annual growth rate for nonprofit employment between 1995 and 2018 was barely higher than for-profit growth in the same period at 0.6 and 0.2 percent, respectively.

Figure 22: Skilled Nursing Facilities Paid Employment (in thousands) by Sector (1995-2018)
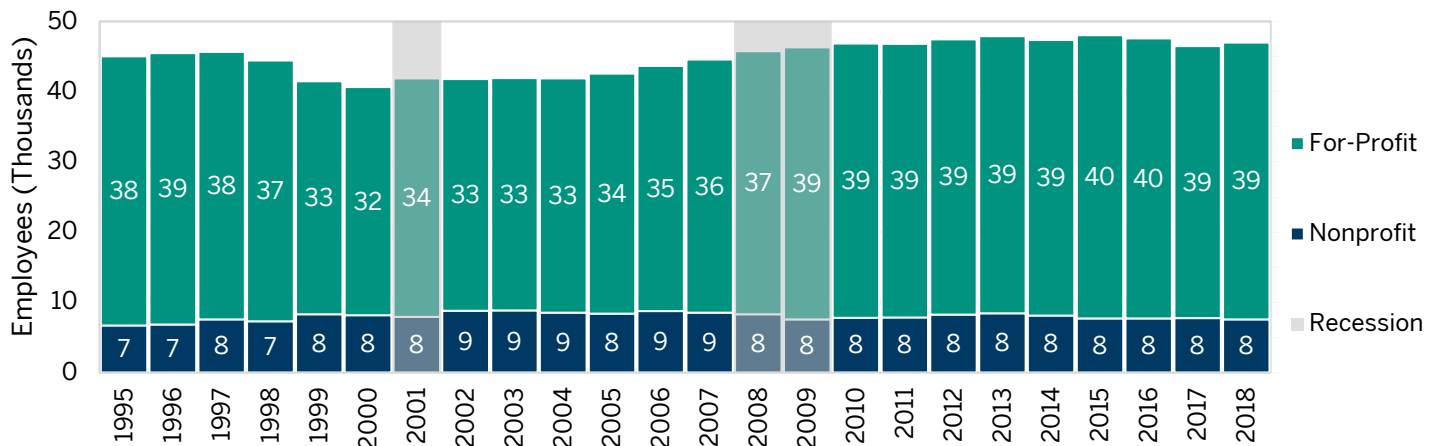
Payroll in this subindustry also grew slowly. Total private payroll increased from $1.2 billion in 1995 to $1.5 billion in 2018, or by 32 percent – the same rate of growth as for-profit and nonprofit payroll. However, 84 percent of the total payroll increase was from for-profits. See Appendix C for more details.

As a large component of the larger nursing facilities subindustry, the minimal growth of this subindustry largely represents what we see in the major subindustry. However, not all subindustries have stayed constant over time as we will see with retirement facilities.

2. RETIREMENT COMMUNITIES AND ASSISTED LIVING FACILITIES

Among the nursing facilities subindustries, retirement facilities have seen the largest shift in nonprofit share over the 1995-2018 period. These facilities provide a variety of residential and assistant living facilities to older Indiana residents. They employed over 19,000 private workers in 2018, over double the count of 9,000 in 1995. Most of this growth is likely due to the increase in population aged 75 and older in Indiana, up from 389,000 in 2010 to 437,000 in 2018 (a 12 percent increase).[17]

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[17] U.S. Census Bureau (2010-2018). American Community Survey 1-Year Estimates. Retrieved from https://data.census.gov/cedsci/table?tid=ACSST5Y2018.S0101&g=0400000US18.

This subindustry is characterized by a significant increase in for-profit employment over the 1995-2018 period, up by 365 percent, from 2,900 employees in 1995 to almost 13,600 employees in 2018. By contrast, nonprofit employment grew early in the period, but then declined . From 1995 to 2001, nonprofit employment grew at an average annual 3.3 percent from about 6,000 total employees to 7,300 employees in 2001 (see Figure 23). Then nonprofit employment declined by 1.3 percent annually from 2002-2018 ending this period with fewer employees (5,800) than in 1995.

Figure 23: Retirement Facilities Paid Employment (in thousands) by Sector (1995-2018)
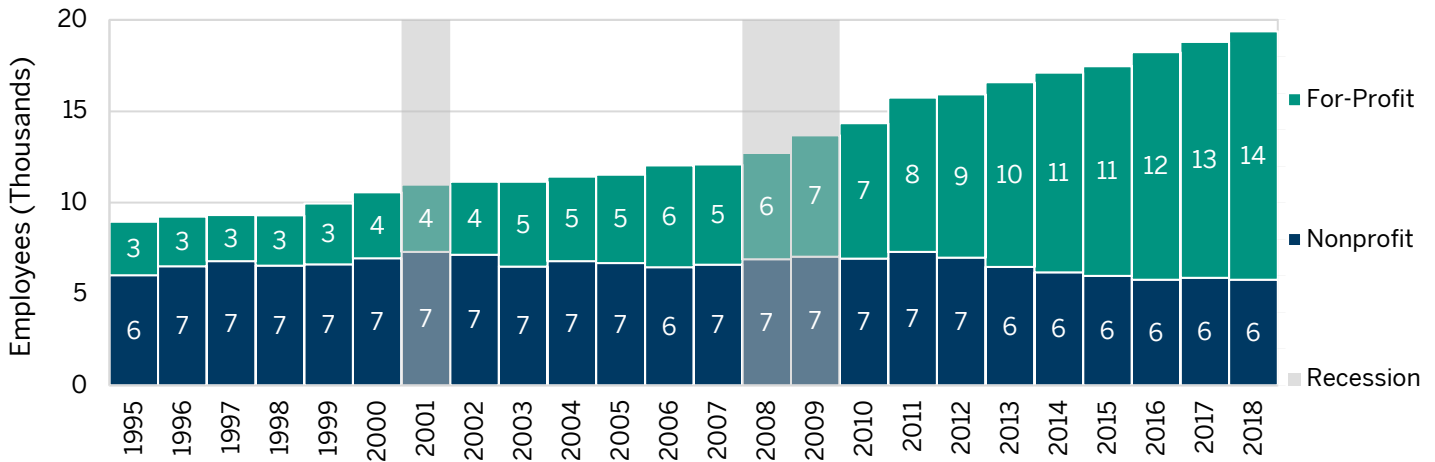
Payroll for retirement facilities more than doubled from $255 million in 1995 to $562 million in 2018 and increased for both sectors. That was the case even for the nonprofit sector (up from $153 million to $170 million) although nonprofits employed fewer workers in 2018. For-profit payroll grew faster than employment, up from $70 million in 1995 to $391 million in 2018, a 459 percent increase, suggesting that average wages increased for both sectors. See Appendix C for details.

The decline in nonprofit employment in resident care deviates notably from the increase in nonprofit employment in the overall nursing facilities subindustry. The massive growth of for-profit employment in this minor subindustry (365 percent) also deviates from the overall pattern modest growth of for-profits in the overall nursing facilities industry (34 percent). This is the only subindustry where the growth trends in for-profit and nonprofit employment differ by such a magnitude.

3. RESIDENTIAL INTELLECTUAL AND DEVELOPMENTAL DISABILITY, MENTAL HEALTH, AND SUBSTANCE ABUSE FACILITIES

Unlike retirement facilities, facilities serving individuals with intellectual and developmental disability, mental health, or substance abuse needs grew almost equally in both for-profit and nonprofit employment. Government facilities in this subindustry disappeared after 2007. Total private sector employment in this industry increased from 5,500 in 1995 to less than 9,500 in 2019.

As Figure 24 suggests, this subindustry is characterized by its nearly equivalent size of each sector in 2018 but early in the period, nonprofits had more employees than for-profits (3,300 and 2,400 respectively). Nonprofit employment increased at an average annual rate of 1.7 percent over the period. For-profits, however, increased only for the first half of this time period, growing to reach 5,900 employees in 2009. After 2009, for-profits faced a decline at an average annual rate of 2.1 percent.

Figure 24: Developmental Disability, Mental Health, and Substance Abuse Facilities Paid Employment (in thousands) by Sector (1995-2018)
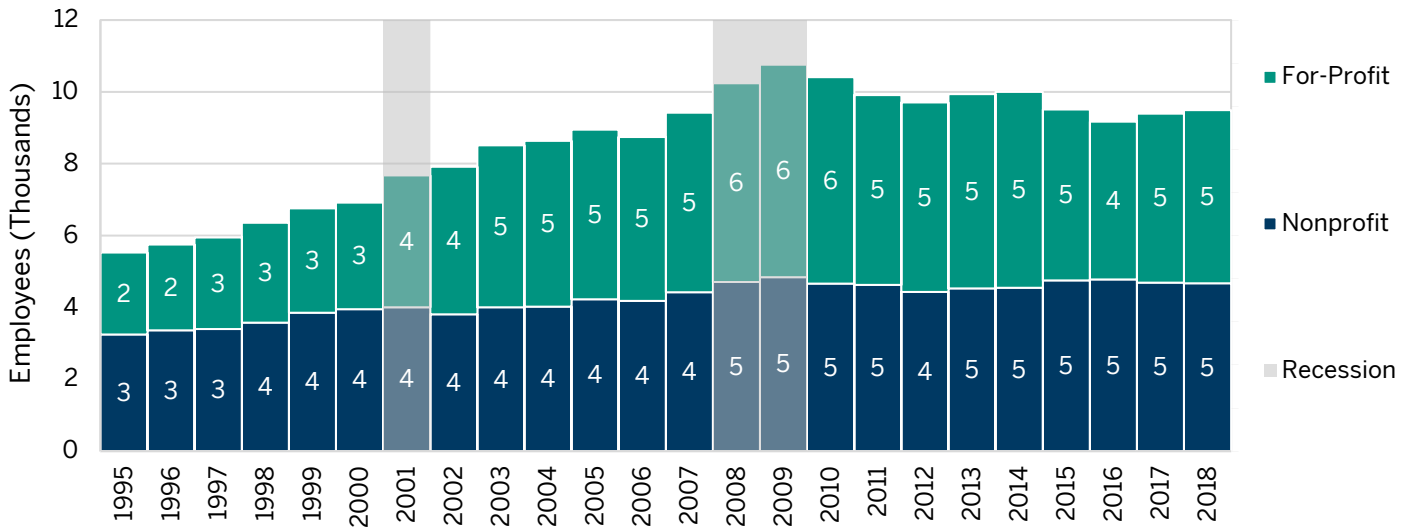

Private payroll for developmental disability facilities grew by $136 million from $147 million in 1995 to $283 million in 2018. Nonprofit payroll increased by 54 percent, rising from $89 million in 1995 to $138 million in 2018, while for-profit payroll increased by 150 percent from $58 million in 1995 to $145 million in 2018. For more details see Appendix C.

4. OTHER RESIDENTIAL CARE FACILITIES

Other residential care facilities include other types of residential-based services, such as residential facilities for children. This subindustry is much smaller than the other subindustries under nursing and residential care facilities with only 4,200 employees in 2018, up from 2,700 in 1995. Perhaps not surprising, given the inclusion of residential care for children, this subindustry is dominated by nonprofits with 71 percent of total employment.

Since 1995, other residential care facilities increased in total employment by 58 percent. As Figure 25 shows, nonprofit employment had two distinct patterns. From 1995 to 2009, nonprofit employment grew at an average annual rate of 4.3 percent, growing from just under 2,000 employees to 3,500 employees. However, since 2009, nonprofit employment decreased at an average annual rate of 1.7 percent until 2018 where it was 3,000 employees. For-profit employment shows similar patterns.

Figure 25: Other Residential Care Facilities Paid Employment (in thousands) by Sector (1995-2018)
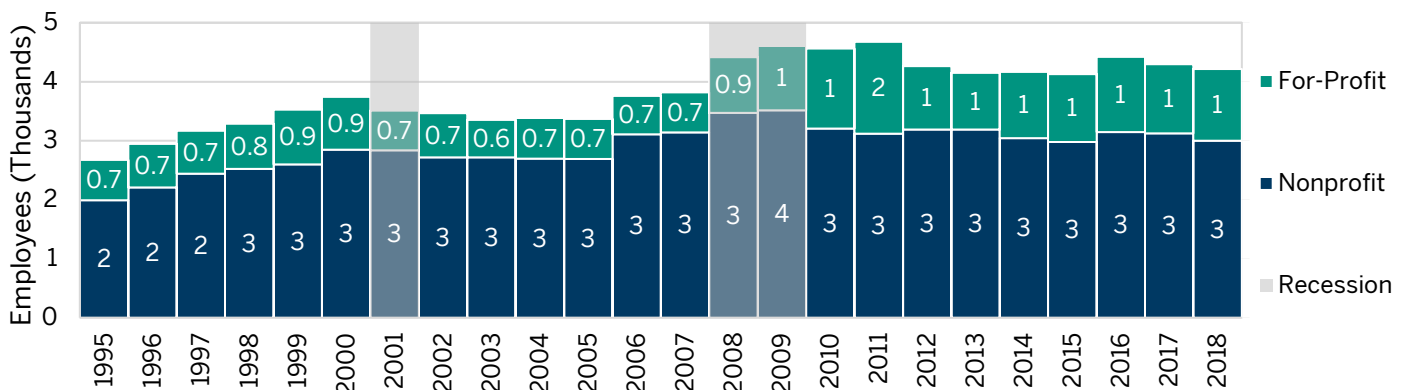
For this subindustry, the payroll profile was largely similar to employment, especially for nonprofits. Nonprofit payroll grew from $570 million in 1995 to $900 million in 2018. At the same time, for-profit payroll grew from $148 million in 1995 to $394 million in 2018. See Appendix C for details.

Other residential care facilities are more dominated by nonprofit establishments than the rest of the nursing subindustry. In fact, the total growth of this industry is much higher at 58 percent (compared to 23 percent for nursing facilities). Despite a higher percentage growth, given the small size of the subindustry, the magnitude of growth was still small, characteristic of the overall low growth pattern seen in nursing facilities compared to health care's other subindustries.

III.   DIVERSE PATTERNS

Each of the three health care major subindustries and their corresponding minor subindustries show distinctive patterns with regards to nonprofit paid employment. As shown below in Figure 26, the percent nonprofit employment of total paid employment varies across the major subindustries. In general, hospitals have kept their high share of nonprofits, increasing slightly from 62 percent in 1995 to 70 percent in 2018. Ambulatory health care services gained in nonprofit share, despite still having a very small nonprofit base. Nonprofits briefly gained in their share of nursing and residential facilities from 1995 to 2001 before steadily dropping back to a lower share.[18]

Figure 26: Percent of Workers in Nonprofits by Health Care Subindustry (1995-2018)
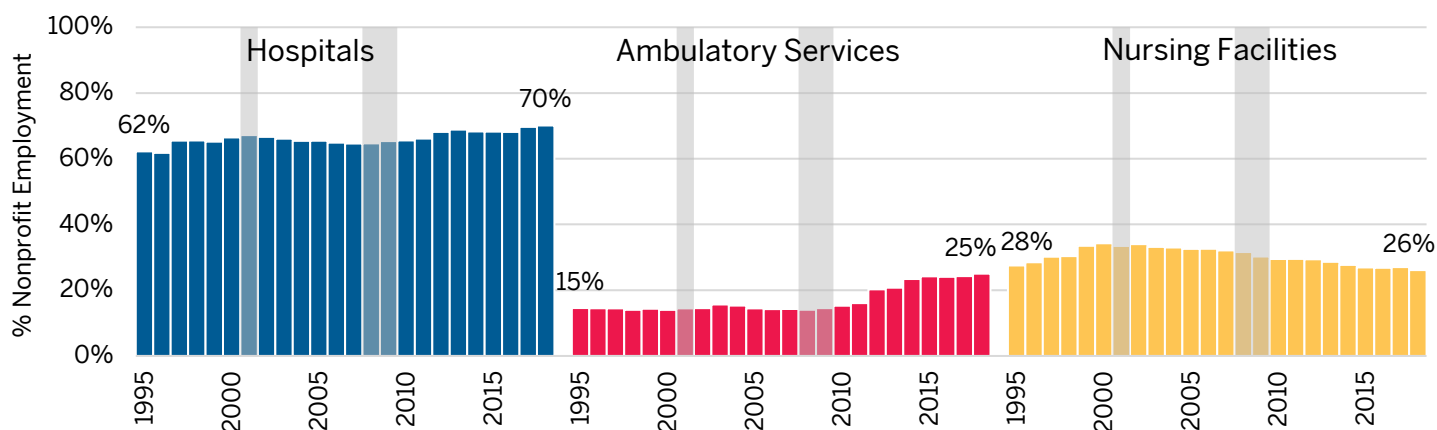

While the patterns in Figure 26 show overall patterns for the three major subindustries for health care, it is important to keep in mind that each subindustry within hospitals, ambulatory services, and nursing facilities have very different percentages of workers employed by nonprofits.

Hospitals. Nonprofits have maintained or increased their share of total employment in each of the Hospitals subindustries over the 1995-2018 period (Figure 27). By 2018, the nonprofit share of total hospital employment was 70 percent and for general hospitals it was 73 percent, both up by 8 percentage points from 1995. The nonprofit share also increased by 8 percentage points for psychiatric hospitals but only to 26 percent by 2018 (as noted above, government is the dominant sector here). The nonprofit share of employment in specialty hospitals were 41 percent in both 1995 and 2018 although there were some years in between with notably lower shares (25-27 percent in 2000, 2010, and 2011) and one year with a much higher share (52 percent in 2004).

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[18] Payroll for Health Care has roughly the same percent composition as employment does. See Appendix C for details.

Figure 27: Percent of Workers in Nonprofits by Hospitals Subindustry (1995-2018)
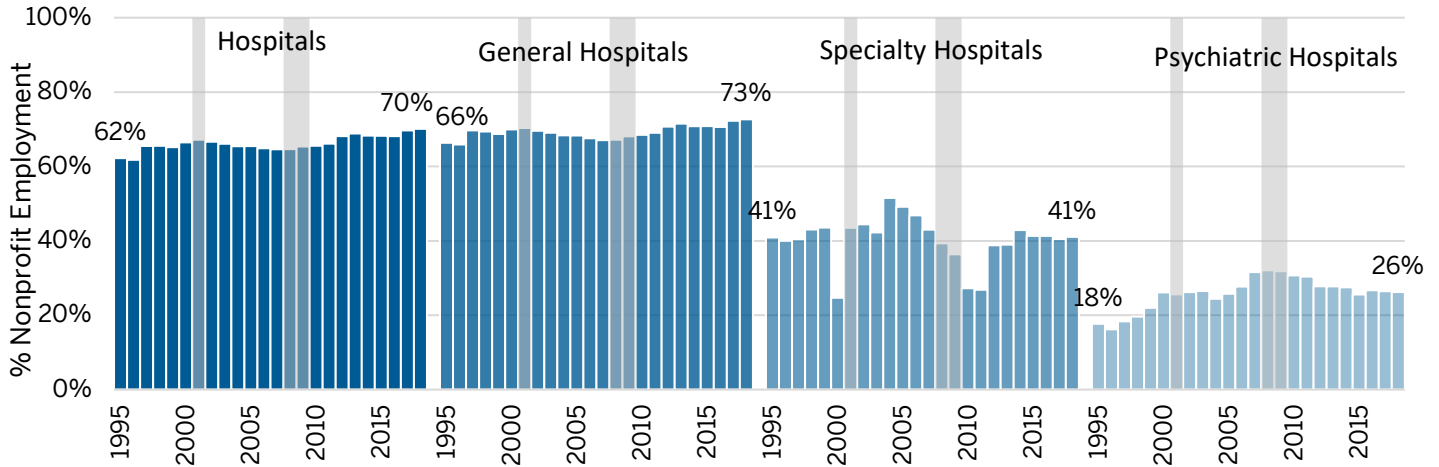
Ambulatory Care. Minor subindustries within ambulatory services also vary in nonprofit share of overall employment. As Figure 28 suggests, nonprofits have gained an increased share of employment over the 1995-2018 period, up by 10 percentages points in ambulatory care and two of the minor subindustries – outpatient care centers and offices of physicians.[19] By contrast, the nonprofit share in home health care services declined by 20 percentage points from 30 percent in 1995 to only 10 percent in 2018. As was the case for hospitals, nonprofits dominate only one of the minor subindustries – outpatient care centers, where they accounted for 56 percent of employees in 2018.

Figure 28: Percent of Workers in Nonprofits by Ambulatory Care Subindustry (1995-2018)
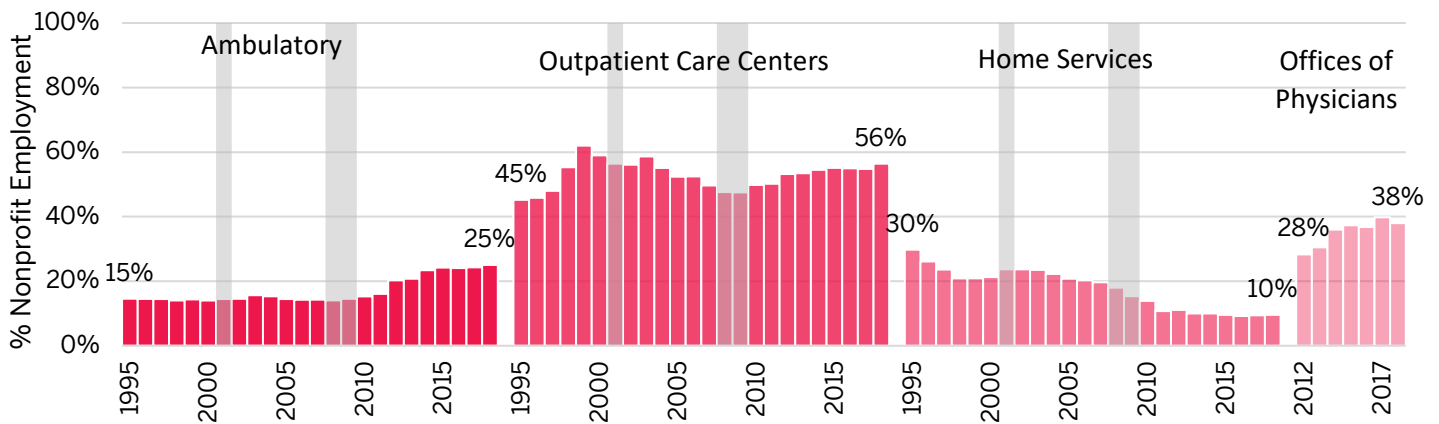

Nursing Facilities. The four minor subindustries in nursing facilities differ significantly not only in the overall share of employment accounted for by the nonprofit sector, but in how that pattern has changed over time (see Figure 29). In three of the subindustries, nonprofits have maintained their share of total employment, but the share they hold differs significantly. Nonprofits continue to dominate other residential care facilities, where they hold 70 percent or more of total employment, have remained about even with for-profits in facilities for the residential care of developmentally disabled, mental health and substance abuse, and persistently trail for-profits by a significant margin in skilled nursing home care, accounting for only about 15 percent of private sector employment.

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[19] The 10 percentage point increase for offices of physicians is over 2012-2018, not 1995-2018 like the other subindustries.

By contrast, nonprofits have lost significant market share to for-profits in community care facilities for the elderly. Nonprofits dominating the subindustry in 1995 with more than 60 percent of total employees. By 2018, that share had declined to only 30 percent. The decline is even more dramatic than what occurred in Social Assistance (see Figure 4), where nonprofit share of total employment dropped from about 70 percent to less than half.

Figure 29: Percent of Workers Employed by Nonprofits by Nursing Facilities Subindustry (1995-2018)
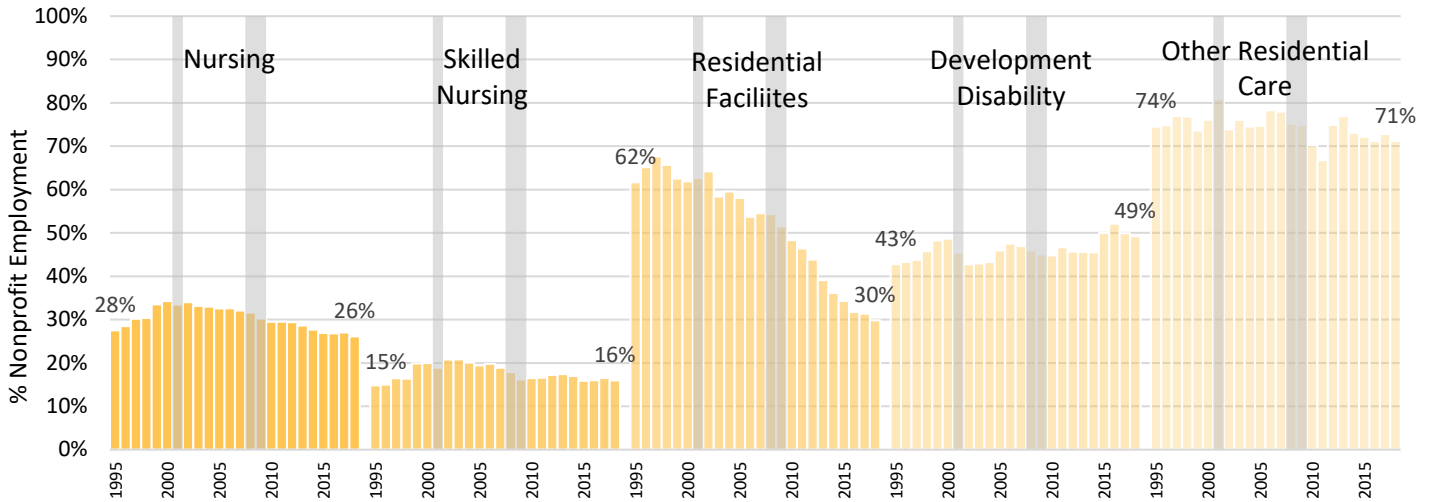
IV. CONCLUSION

The health care industry is a major force in the Indiana economy. It is the state's second largest industry, second only to manufacturing, and has grown more rapidly than total employment – up by 45 percent in employment and 75 percent in payroll in the 24 years from 1995 to 2018, compared to a statewide growth of 12 percent in employment and 27 percent in payroll. Growth in nonprofit employment (62 percent total from 1995-2018) was much higher than growth in for-profit employment (55 percent). This industry is the largest employer of nonprofits, accounting for 56 percent of Indiana's nonprofit employment.

We examined three major subindustries and ten minor subindustries and found that each had its own characteristic pattern of size, composition, and growth. Hospitals was the largest subindustry, employing 65 percent of all nonprofit workers in health care in 2018. Within hospitals we found that general hospitals were the only minor subindustry where a majority of employment was in nonprofits (73 percent). Psychiatric hospitals (26 percent) and specialty hospitals (41 percent) had lower shares.

Next, we looked at ambulatory services, a notable smaller subindustry of health care. Nonprofit employment in this subindustry has increased its share between 1995 and 2018. However, the nonprofit shares of its minor subindustries differ considerably – ranging from more than half for outpatient care centers to only 10 percent for home health care services. The nonprofit share or employment in outpatient care centers and offices of physicians has grown but declined for home health care services.

Finally, nursing facilities has faced minimal growth over the 1995-2018 period. While each of the four minor subindustries had different growth patterns, the overall nonprofit share of total employment has changed minimally during this period. Skilled nursing and developmental disability facilities both gained in

nonprofit share, while other residential care dropped slightly. Nonprofit employment for residential facilities showed the most drastic change as it lost its majority.

Nonprofits have become increasingly important to Indiana's health care– their share of total health care employment increased from 39 percent in 1995 to 43 percent in 2018. More specifically, the nonprofit share for six of the ten minor subindustries is mostly stable with modest growth. Within the six, the dominance of nonprofits differs considerably. Their dominance is high (70 percent or more) for general hospitals and other residential services, close to half for specialty hospitals, outpatient care centers, and institutional care for developmental disabilities, and low for skilled nursing care (less than 20 percent).

In two of the other ten minor subindustries, nonprofits remained a minority despite increasing their share of employment: psychiatric hospitals and offices of physicians, respectively 26 and 38 percent in 2018. By contrast, nonprofits have lost ground in the final two minor subindustries: home health care services (down from 30 to 10 percent of total employment) and especially in residential care for the elderly (down from 62 percent to only 30 percent).

These developments have occurred against the broader backdrop of expansion in the health care industry in the U.S. National health care expenditures have more than doubled from $1.68 trillion in 1995 (in 2018 dollars) to about $3.65 trillion in 2018[20] (by 117 percent), reflecting in part significant advances in medical treatments and specialties, Part of the growth also reflects the overall aging of the U.S. population and the related growth of chronic diseases that require ongoing treatment and support.[21]

Indiana has shared in most these national trends. Obesity (BMI of 30 or more) has increased from 18 to 24 percent of adults over the 1995-2018 period, although cardio-vascular deaths have dropped (as they have nationally) from 383 per 100,000 residents in 1995 to 278 in 2018. Overall, Indiana ranks low on most health indicators, including an overall rank of only 41 among the 50 states.[22]

Other developments include ongoing efforts to control cost, especially for the most expensive in-patient care services in hospitals. The result has been consolidation of health care systems and decentralization of services to lower-cost outpatient or ambulatory care settings.[23] This may account at least in part for the relatively rapid growth of outpatient care facilities and home health care services documented above.

It is more difficult to assess the impact of the Affordable Care Act (alias Obamacare), although Indiana implemented Medicaid Expansion under ACA (the Healthy Indiana Plan). The program seems to have increased insurance coverage and use of primary and preventive care among enrollees.[24]

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[20] Available online at https://www.cms.gov/files/zip/national-health-expenditures-type-service-and-source-funds-cy-1960-2018
[21] (e.g., obesity, stroke, kidney disease, diabetes, heart conditions, chronic lung disease and cancers, Alzheimer's disease) which increases by age. In 1995, 8 percent of adults were treated for five or more chronic conditions, by 2015 that had grown to 18 percent in 2015. See Aspen Health Strategy Group (2019), Reducing the Burden of Chronic Disease, Edited by Alan R. Weil and Rachel Dolan. Available online at https://assets.aspeninstitute.org/content/uploads/2019/02/AHSG-Chronic-Disease-Report-2019. Currently the Center for Disease Control estimates that that 60 percent of adults in the U.S. has at least one chronic disease condition, and 40 percent have two or more (See https://www.cdc.gov/chronicdisease/resources/infographic/chronic-diseases). A 1995 Census report estimates that half of those aged 85 or older need personal assistance with everyday activities (up from 9 percent of those aged 65-69). https://www.census.gov/population/socdemo/statbriefs/agebrief
[22] See https://www.americashealthrankings.org/explore/annual/measure/Overall/state/IN and https://www.americashealthrankings.org/learn/reports/2019-annual-report/state-summaries-indiana
[23] See Eileen Appelbaum and Rosemary Batt (2017), "Organizational Restructuring in U.S. Health Care Systems: Implications for Jobs, Wages, and Inequality," available online at https://cepr.net/images/stories/reports/organizational-restructuring-healthcare-2017-09
[24] See Olena Mazurenko et al., (2018) The Effects of Medicaid Expansion Under the ACA: A Systematic Review," Health Affairs 37, No. 6. Available online at https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.2017.1491?journalCode=hlthaff

The nonprofit sector has always been a major part of Indiana's health care industry. Nonprofits are particularly important in the hospital subindustry (especially general and medical hospitals) and in several minor subindustries (notably, outpatient care centers). Nonprofit payroll has grown even more rapidly than nonprofit employment, up by 12 percentage points from 36 percent of total health care payroll in 1995 to 48 percent in 2018 (compared to a 4 percentage point increase in nonprofit employment). In many subindustries, nonprofits tend to pay higher average annual wages than for-profits (especially within hospitals and ambulatory services). The primary exceptions are outpatient care centers (in ambulatory services) and a majority of nursing facilities subindustries which have higher average annual wages for for-profits.

We note that COVID-19 has likely disrupted the overall growth trends in the health care industry as health care providers have faced loss of income and increased expenses during 2020. This has certainly impacted hospitals,[25] but also nursing facilities, which has seen a large number of COVID-19 cases.[26] Outpatient facilities and ambulatory care has also been affected.

It is also unclear how the nonprofit segment of health care employment is faring during COVID-19. In prior recessions (2001, 2008-9) the nonprofit sector continued to grow during the economic downturns, while the for-profit sector shed jobs. It will take time to see the full extent of the impact of the pandemic on the health care industry and the nonprofit sector in particular.

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[25] See Angela Brauer (2020), "Indiana hospitals needing a lifeline; financial fallout surfacing amid COVID surge," available online at https://cbs4indy.com/news/coronavirus/indiana-hospitals-needing-a-lifeline-financial-fallout-surfacing-amid-covid-surge/. See Shari Rudavsky (2020), "Indiana hospitals braced for COVID-19's financial impact. A new study sheds light on it," available online at https://www.indystar.com/story/news/health/2020/08/18/indiana-hospitals-hurt-financially-coronavirus-study-finds/5587722002/.

[26] See Bob Segall (2020), "State releases detailed Indiana nursing home COVID-19 data for the first time," available online at https://www.wthr.com/article/news/investigations/13-investigates/state-releases-detailed-indiana-nursing-home-covid-19-data-for-the-first-time/531-b8bdf4a1-3bac-4f56-87c2-f2f3a42d92cf

APPENDIX A: METHODOLOGY

Source of Data
The two sources of data for this report is the Quarterly Census of Employment and Wages (QCEW, once called ES-202) and IRS Exempt Organization's Master File/Business Master File (EOMF/BMF). We use both sources in order to construct the best possible estimate of nonprofit employment in Indiana.

Scope of Data
The QCEW is a cooperation between the U.S. Bureau of Labor Statistics, the U.S. Department of Labor, and State Employment Security Agencies. In Indiana, the Department of Workforce Development works with the Indiana Business Research Center (IBRC) to produce quarterly counts of employers, employees, and wages for the state, Metropolitan Statistical Areas (MSA), Economic Growth Regions (EGR), and counties by industry as defined by the North American Industry Classification System (NAICS). Nationwide, the QCEW covers over 95 percent of U.S. jobs[27].

The BMF lists all tax-exempt entities registered under section 501(c) of the Internal Revenue Code. Among other fields, the file includes the exempt entity's name, reporting address, Federal Employer Identification Number, and the Internal Revenue Code Subsection under which it is recognized and registered by the Internal Revenue Service. We include all twenty-six subsections of 501(c) entities in the BMF, of which most (74 percent in Indiana) are registered under subsection 501(c)(3) and are commonly referred to as charities. Nationally, the BMF includes 1.7 million exempt organizations.[28]

Data Processing and Cleaning
The Indiana Business Research Center (IBRC) at Indiana University reconciles the data in the two sources using Employer Identification Numbers (EINs) to identify private nonprofit establishments in the QCEW files. IBRC then aggregates the data by industry, region, and sector (nonprofit, for-profit, and government), and applies legally mandated confidentiality screens. Thus, data are suppressed if the aggregate includes less than three establishments, if one establishment comprises more than 80 percent of the employment of a data grouping, or if suppressed data can be estimated from other available data.

We standardize the names of data fields and develop annualized data by industry and subindustry for all sectors, and by region. For establishments and number of employees we use the average quarterly counts to obtain the respective annual counts. We sum the quarterly payrolls to obtain annual payroll. To compute average size of establishments, we divide the number of employees by number of establishments and to compute average annual wages, we divide total payroll by number of employees.

Limitations
The QCEW covers an estimated 95 percent of all paid employees.[29] However, certain employees are not required to participate, including religious organizations and charities with less than four employees.[30]

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[27] The U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages. United States Department of Labor, 2020. Available at https://www.bls.gov/cew/, retrieved January 13, 2020.

[28] Internal Revenue Services, Exempt Organizations Business Master File Extract. Internal Revenue services, 2019. Available at https://www.irs.gov/charities-non-profits/exempt-organizations-business-master-file-extract-eo-bmf, retrieved January 13, 2020.

[29] The U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages. United States Department of Labor, 2020. Available at https://www.bls.gov/cew/overview.htm#data_available, retrieved February 10, 2020.

[30] Exceptions include proprietors, unincorporated self-employed, unpaid family members, certain farm and domestic workers, certain railroad workers, some workers who earned no wages during the entire applicable pay period (e.g., because of work

These omissions from the QCEW data are important for our analysis since it means we underestimate nonprofit employment in Indiana. To quantify the extent of the underestimation, we rely on data obtained from our large 2017 Indiana Nonprofits Survey, based on a randomly selected sample of all types of Indiana nonprofits. This survey effort involved combining and de-duplicating nonprofits registered with the IRS under section 501(c), incorporated nonprofits from the Indiana Secretary of State (SOS), and Yellow Page Listing of Churches (Infogroup).[31]

The exclusion of religious organizations is likely to be most important. Congregations are neither required to register as tax-exempt entities with the IRS nor participate in the QCEW reporting system. We estimate that there are about 8,800 congregations in Indiana,[32] but only 178 were included in the QCEW data for 2018. Using a conservative estimate of 3 paid employees per congregation, the 8,800 congregations are likely to have at least 26,500 paid employees, but perhaps as many as 77,300.[33] The QCEW only reports 1,441 employees of religious establishments, suggesting that our estimate of nonprofit employees in Indiana is undercounted by at least 25,100 religious employees, but the true underestimate is likely closer to 75,800.

Charities with less than four employees are also not required to participate in QCEW. Based on the 2017 Indiana Nonprofit Survey, we estimate that there are almost 3,700 IRS-charities that are not churches that have at least 1 but less than four paid employees. The survey also shows that these small charities employ an average of 1.7 employees, suggesting that there should be a total of 6,400 employees. Although some of these are indeed included in the QCEW data, that is the case for only 950 establishments with 1,733 paid employees. Consequently, our estimate of nonprofit employees in Indiana is underestimated by about 4,650 employees.[34]

Finally, not every nonprofit in Indiana registers with the IRS, but some nevertheless are incorporated with the Indiana Secretary of State (SOS). As part of our efforts to develop the sample for our 2017 survey, we estimate that roughly 18,566 nonprofits were incorporated with the SOS, but not registered with the IRS. From our 2017 Indiana Nonprofit Survey, we estimate that about 14 percent of these (about 2,700 nonprofits) had employees with a median of 6.5 employees, for a total of roughly 17,200 employees.[35] If those employers report to the QCEW system, they would be classified as for-profit employers under our

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stoppages, temporary layoffs, illness, or unpaid vacations), select elected officials, members of the armed forces, certain short-term government employees. In Indiana, insurance agents on commission, casual labor not in course of employer's business, part-time service for nonprofits, student nurses and interns, and students working for schools are not required to participate. Employment and Training Administration, ETA Overview. United States Department of Labor, 2020. Available at https://oui.doleta.gov/unemploy/pdf/uilawcompar/2019/coverage.pdf, retrieved February 10, 2020.

[31] The 2017 Indiana Nonprofits Survey allows a clearer picture of unaccounted nonprofit employees. Using the sample statistics, we estimated the mean and median number of paid employees per establishment. These numbers were then used on the de-duplicated universe of nonprofits in Indiana created using the IRS, Secretary of State, and Infogroup data. For more details see the 2017 ARNOVA Conference paper cited below.

Surveying Nonprofits: Sampling Strategies and Quality, by Kirsten A. Grønbjerg, Ashley Clark, Hannah Martin, Tyler Abbott, and Anthony Colombo (Bloomington, IN: Indiana University School of Public and Environmental Affairs, November, 2017).

[32] The Infogroup (yellow page) listing includes about 9,600 congregations; de-duplication leaves just over 8,800.

[33] The underestimate of 25,100 employees is conservative as a result of using the median number of employees per congregation from the 2017 Indiana Nonprofit survey. Using the mean value of 8.75, the underestimation would be closer to 75,900 employees. The latter is likely more valid, since the 178 congregations included in the QCEW data for 2018 have an average of 8.1 employees, very close to the survey mean.

[34] The QCEW data show that charities with less than four paid employees on average have 1.82 employees. This is very close to average estimate based on the survey (1.7) suggesting that this underestimate is likely to be fairly accurate.

[35] The employee estimate is conservative using the low median of 6.5. The mean number of employees is 17.5 which suggests an employee count of nearly 46,000.

methodology. It seems clear that the actual number of nonprofit paid employees is substantially higher, probably by at least 46,950 than the numbers we are able to document.

There are other potential sources of error in the QCEW data. Thus, the number of employees is measured by the number of filled jobs for the pay period that includes the 12th day of each month as reported by the employer. There is no distinction between part-time and full-time employees in this count. Under this system, a person working two jobs would be double counted.

Similarly, the BMF used to identify nonprofits in the QCEW data is not comprehensive. Some nonprofits are not required to register with the IRS as exempt entities. In addition to religious organizations, nonprofits with less than $5,000 in revenues, political groups, and homeowners' associations do not need to register.[36] Unfortunately, we can only identify private establishments as nonprofits in the QCEW data, if they are registered with the IRS; all other nonprofits that have paid employees in the QCEW data will by necessity be classified as for-profit establishments.

In addition, some for-profit companies may have nonprofit subsidiaries and the QCEW would not identify the subsidiaries as nonprofit in their records. The reverse is also true – if nonprofits have commercial subsidiaries, the latter would be counted as a nonprofit. Regarding wages, the QCEW counts bonuses, stock options, the cash value of meals and lodging, and tips and gratuities in addition to wage. However, fringe benefits (such as employer contributions to health insurance or pensions) are not included.

Finally, the IRS status in the EOMF is as of March or April of the data year in question. Any newly registered exempt entities may not be included, since the process to identify nonprofits may take up to several months. We believe the error is relatively insignificant, but we cannot confirm that assumption. The same situation occurs for entities that convert to for-profits during the data year. Then, although the EOMF lists them as nonprofits, they technically would cease to be nonprofits during the year. In either case, if these entities have employees and payroll during the year, they would be counted as for-profits. These limitation leads to discrepancies between the true count of Indiana nonprofit employment and the estimates developed by the Indiana Nonprofits Project.
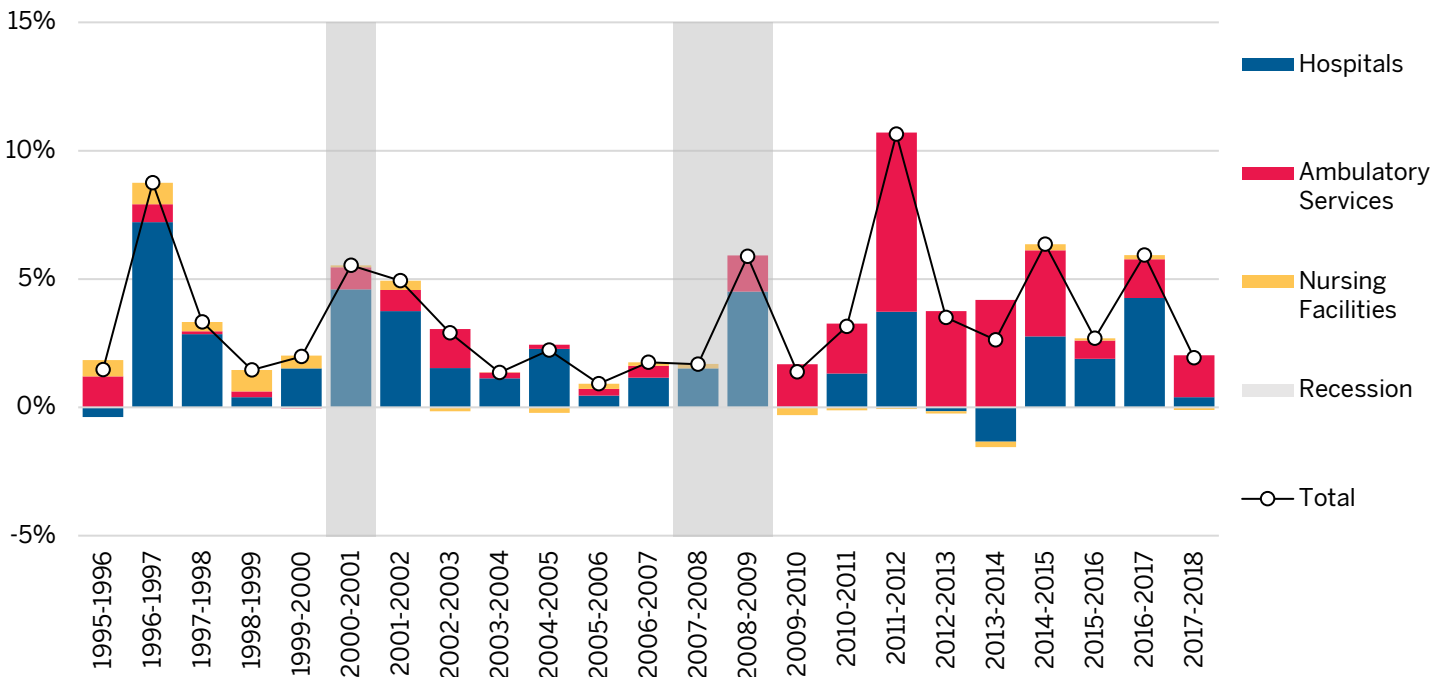
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[36] Internal Revenue Services, Tax-Exempt Status for Your Organization. United States Department of the Treasury, 2020. Available at https://www.irs.gov/pub/irs-pdf/p557.pdf, retrieved February 10, 2020.
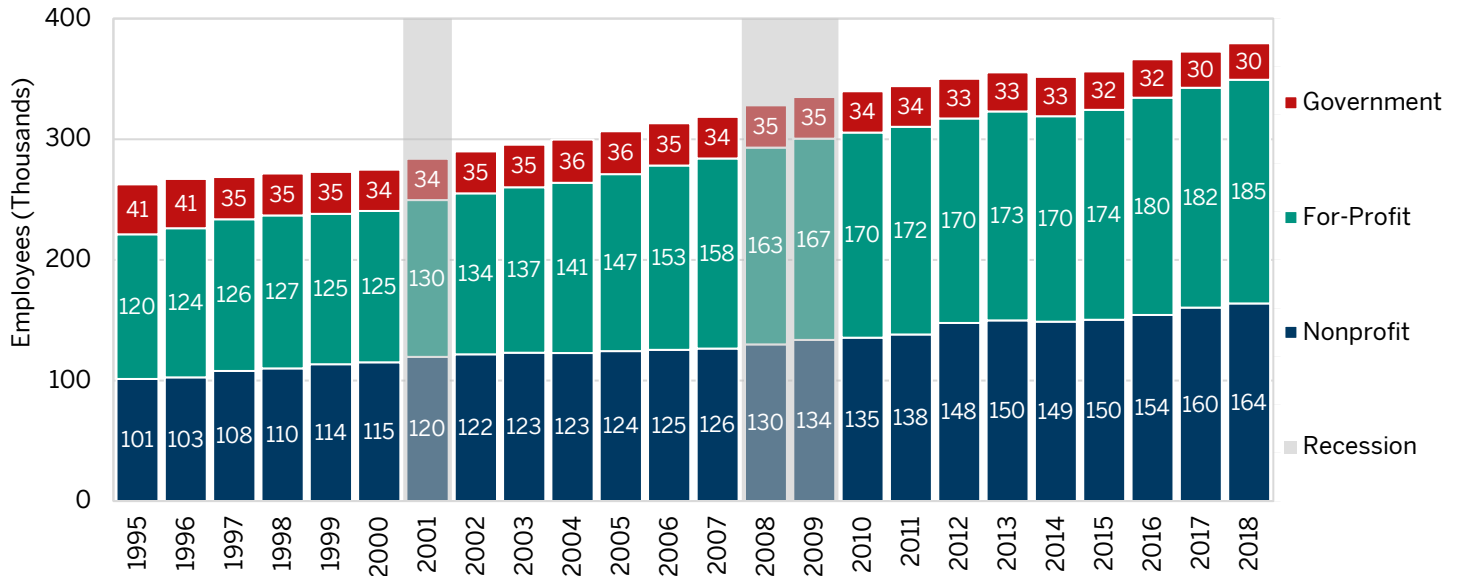
APPENDIX B: ADDITIONAL GRAPHS

Subindustry Share of Percent Change in Nonprofit Employment (1995-2018)
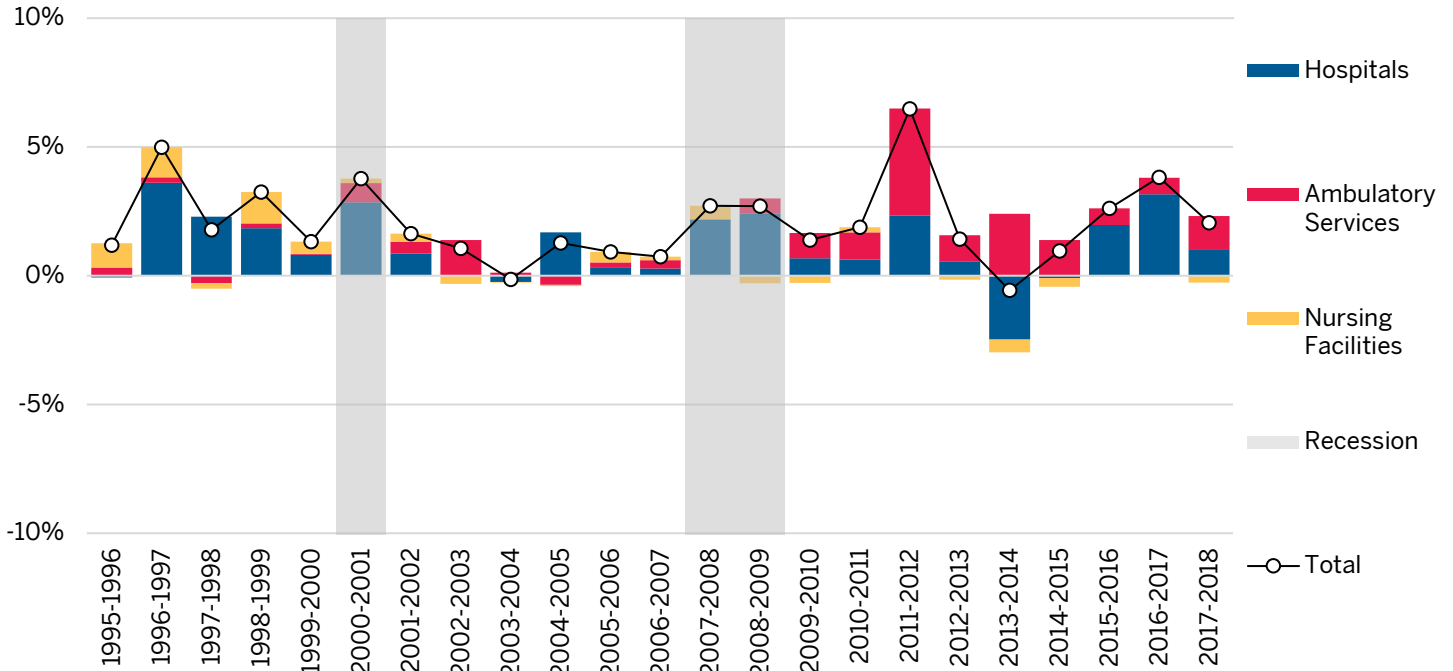
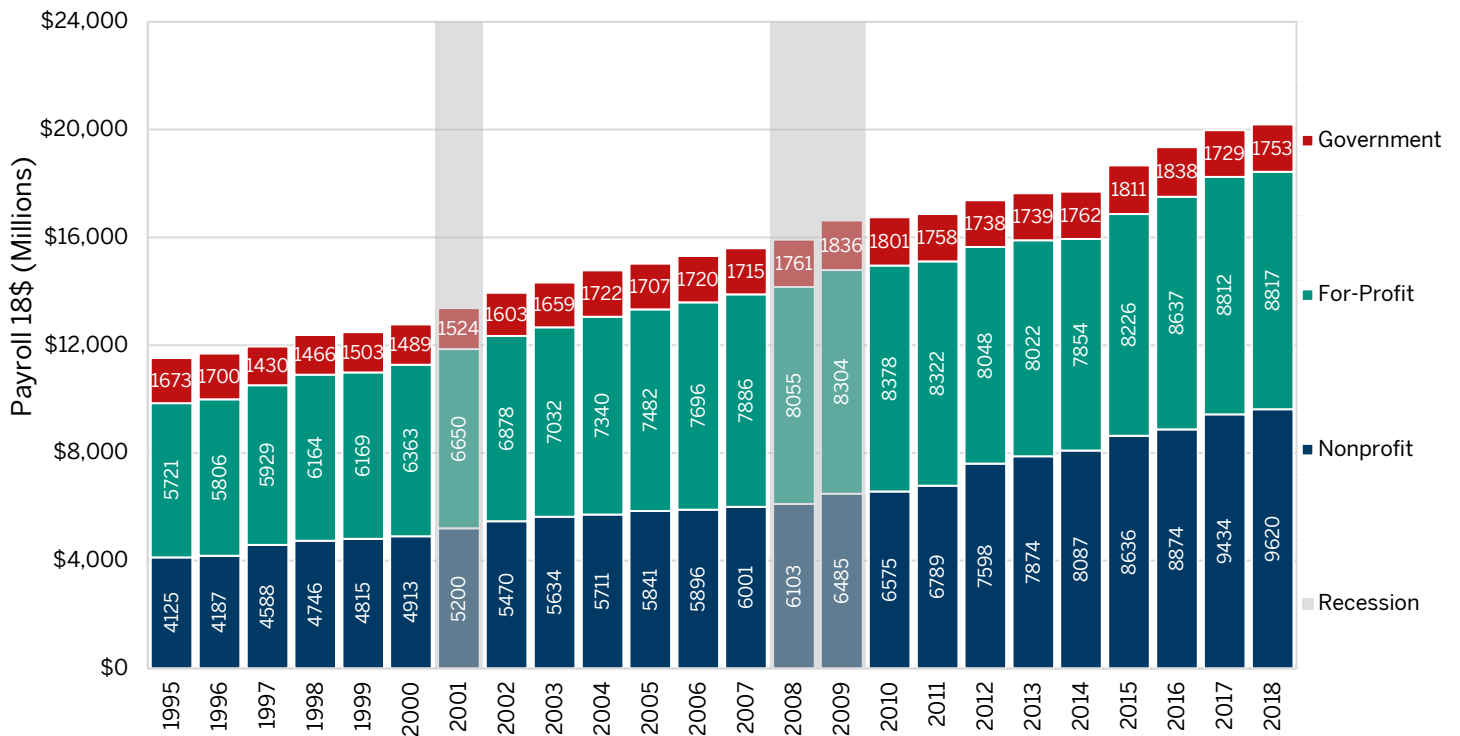## Subindustry Share of Percent Change in Nonprofit Payroll 18$ (1995-2018)

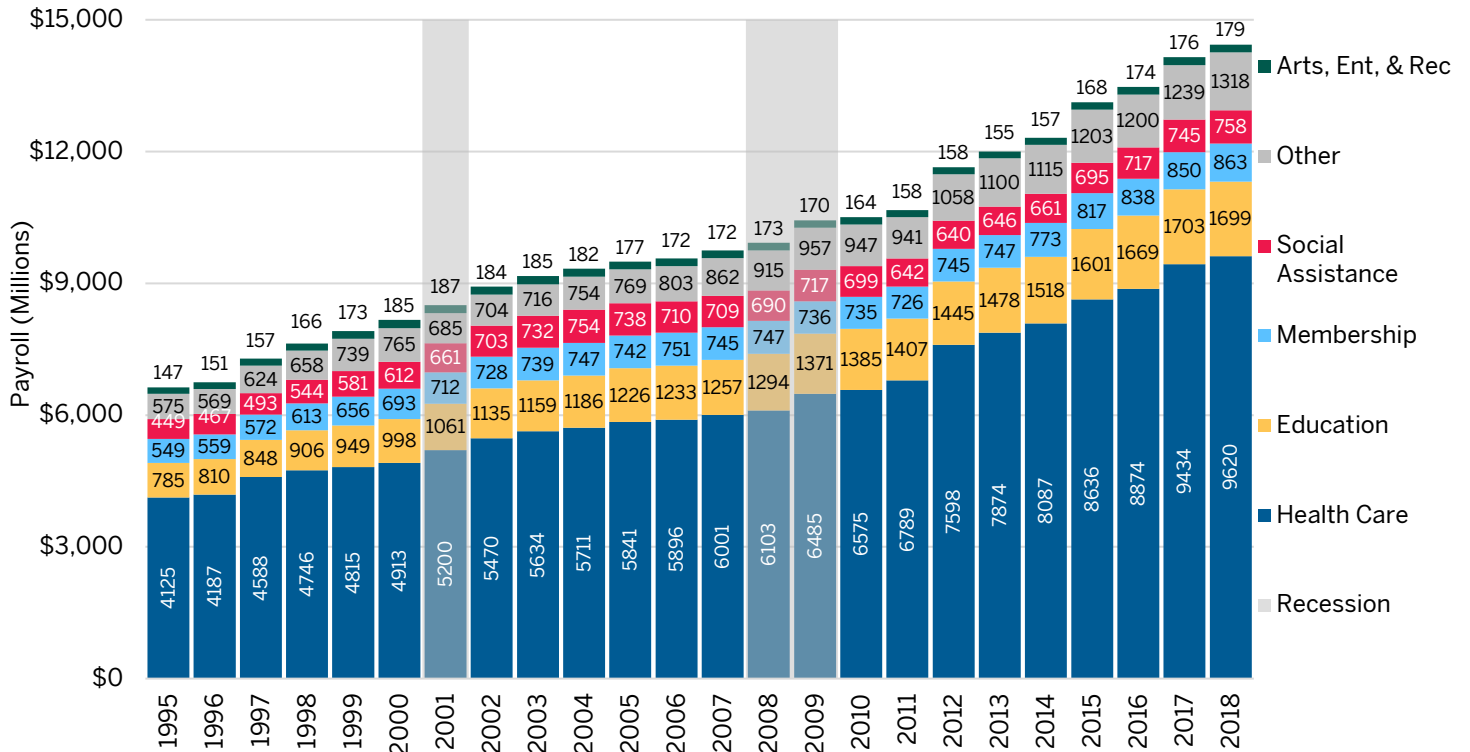## Health Care Employment (in thousands) by Sector (1995-2018)

Year	Nonprofit	For-Profit	Government
1995	101	120	41
1996	103	124	41
1997	108	126	35
1998	110	127	35
1999	114	125	35
2000	115	125	34
2001	120	130	34
2002	122	134	35
2003	123	137	35
2004	123	141	36
2005	124	147	36
2006	125	153	35
2007	126	158	34
2008	130	163	35
2009	134	167	35
2010	135	170	34
2011	138	172	34
2012	148	170	33
2013	150	173	33
2014	149	170	33
2015	150	174	32
2016	154	180	32
2017	160	182	30
2018	164	185	30

Health Care Payroll 18$ (in millions) by Sector (1995-2018)

Year	Nonprofit	For-Profit	Government
1995	4125	5721	1673
1996	4187	5806	1700
1997	4588	5929	1430
1998	4746	6164	1466
1999	4815	6169	1503
2000	4913	6363	1489
2001	5200	6650	1524
2002	5470	6878	1603
2003	5634	7032	1659
2004	5711	7340	1722
2005	5841	7482	1707
2006	5896	7696	1720
2007	6001	7886	1715
2008	6103	8055	1761
2009	6485	8304	1836
2010	6575	8378	1801
2011	6789	8322	1758
2012	7598	8048	1738
2013	7874	8022	1739
2014	8087	7854	1762
2015	8636	8226	1811
2016	8874	8637	1838
2017	9434	8812	1729
2018	9620	8817	1753

APPENDIX C: PAYROLL GRAPHS

Nonprofit Sector Payroll 18$ (in millions) by Industry (1995-2018)

Sector Breakdown of Total Percent Change in Health Care Payroll 18$ (1995-2018)
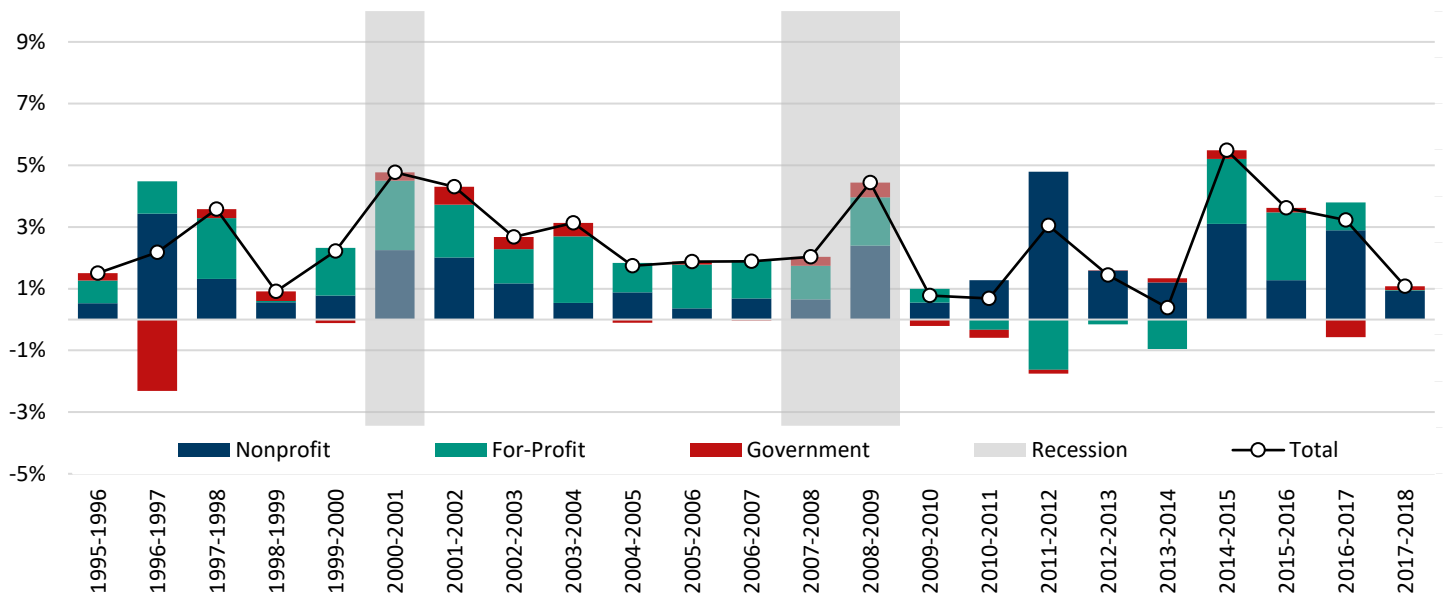
Health Care Payroll 18$ (in millions) by Sector (1995-2018)
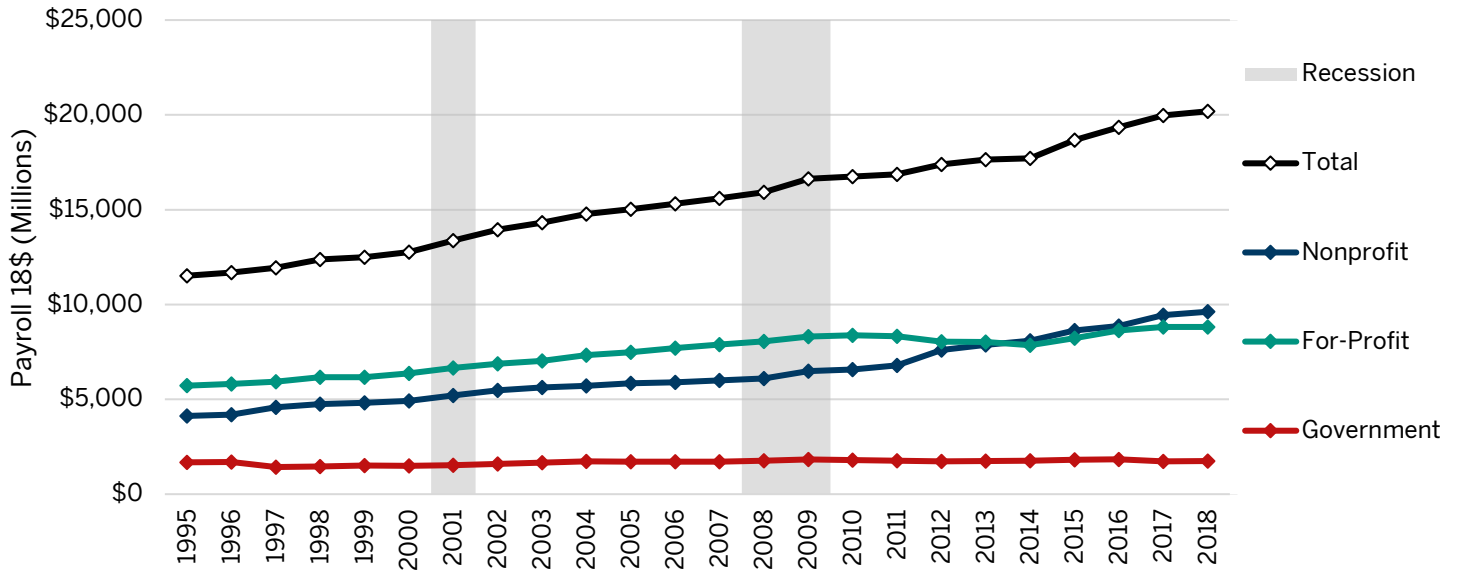
Share of Nonprofits in Payroll 18$ in Major Nonprofit Industries (1995-2018)
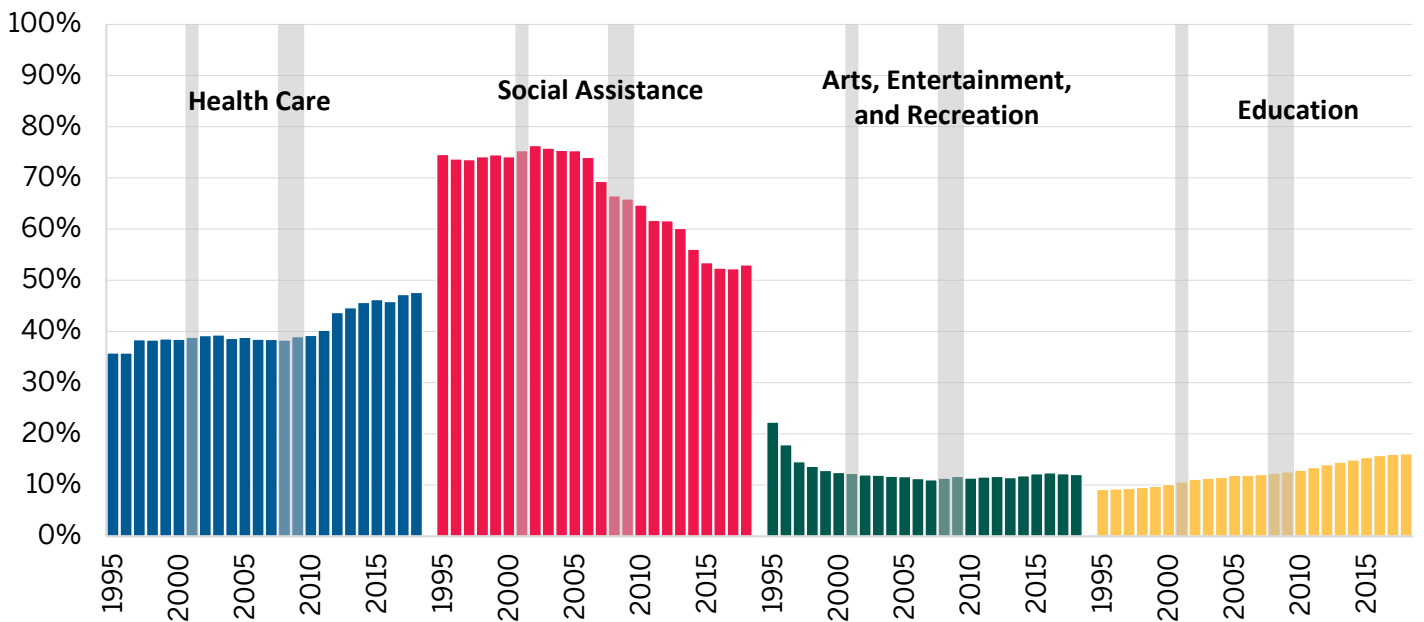
Nonprofit Payroll 18$ (in millions) in Health Care by Major Subindustry (1995-2018)
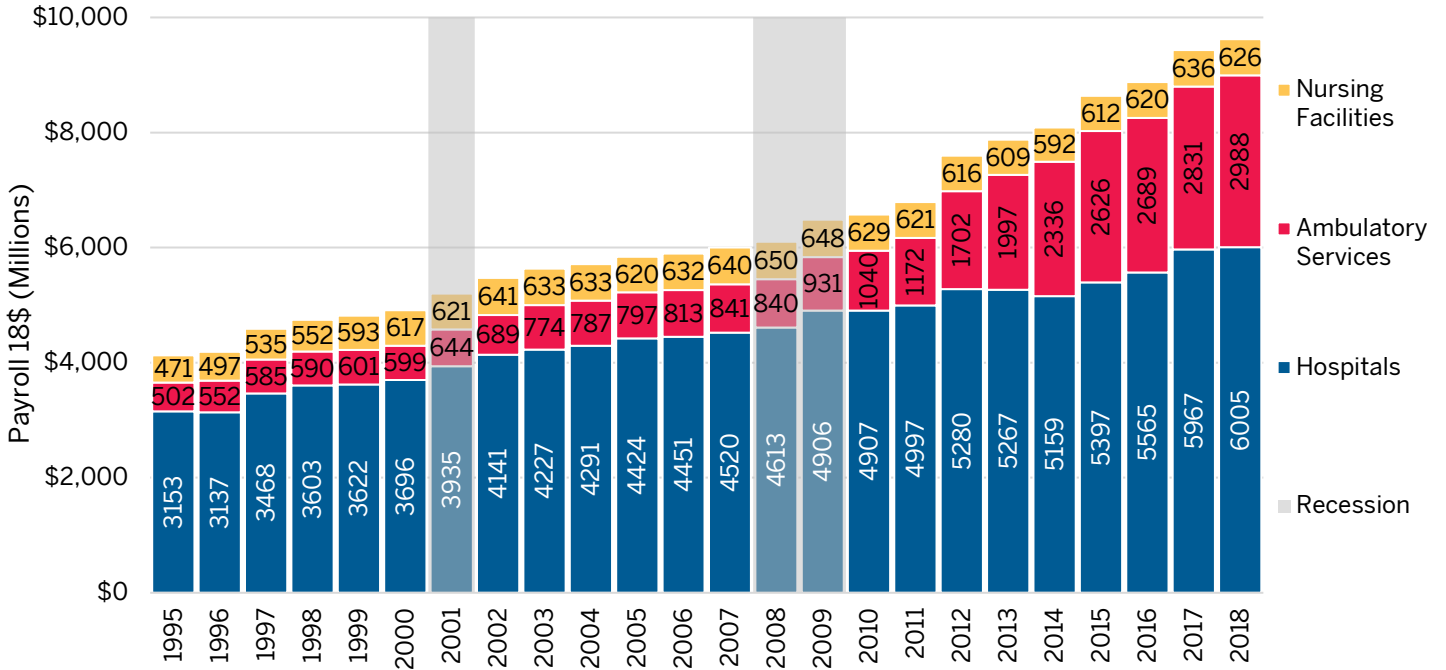
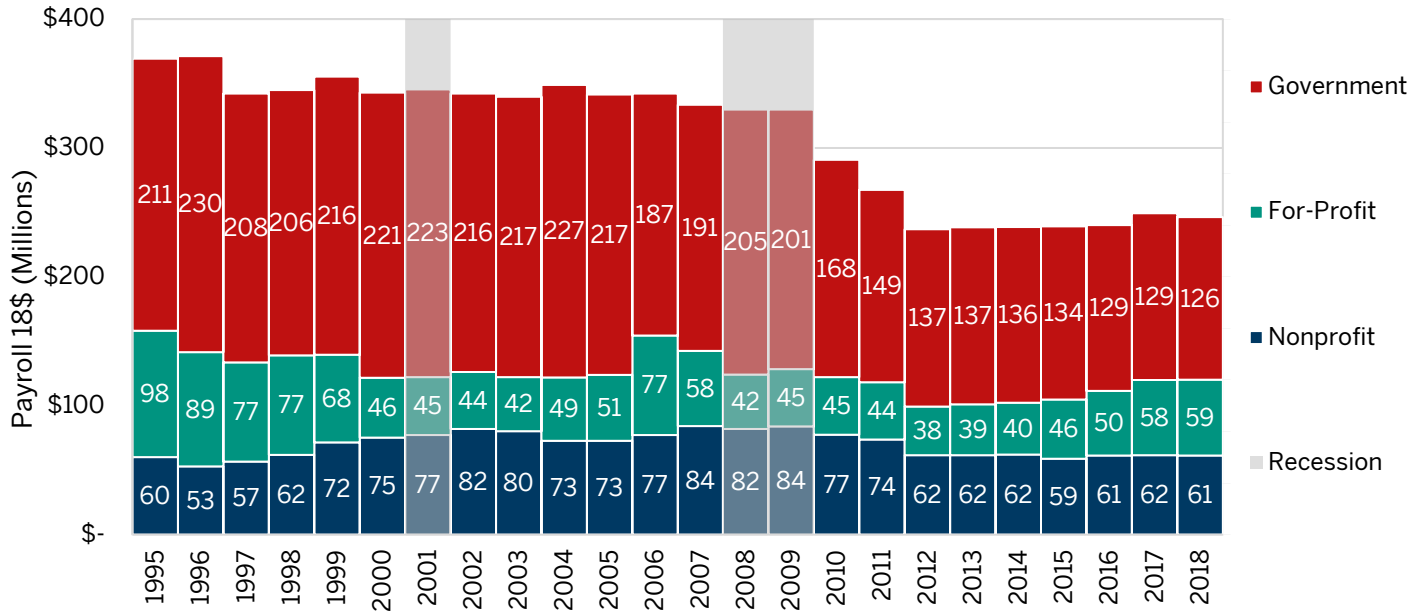## Hospitals Payroll 18$ (in millions) by Sector (1995-2018)
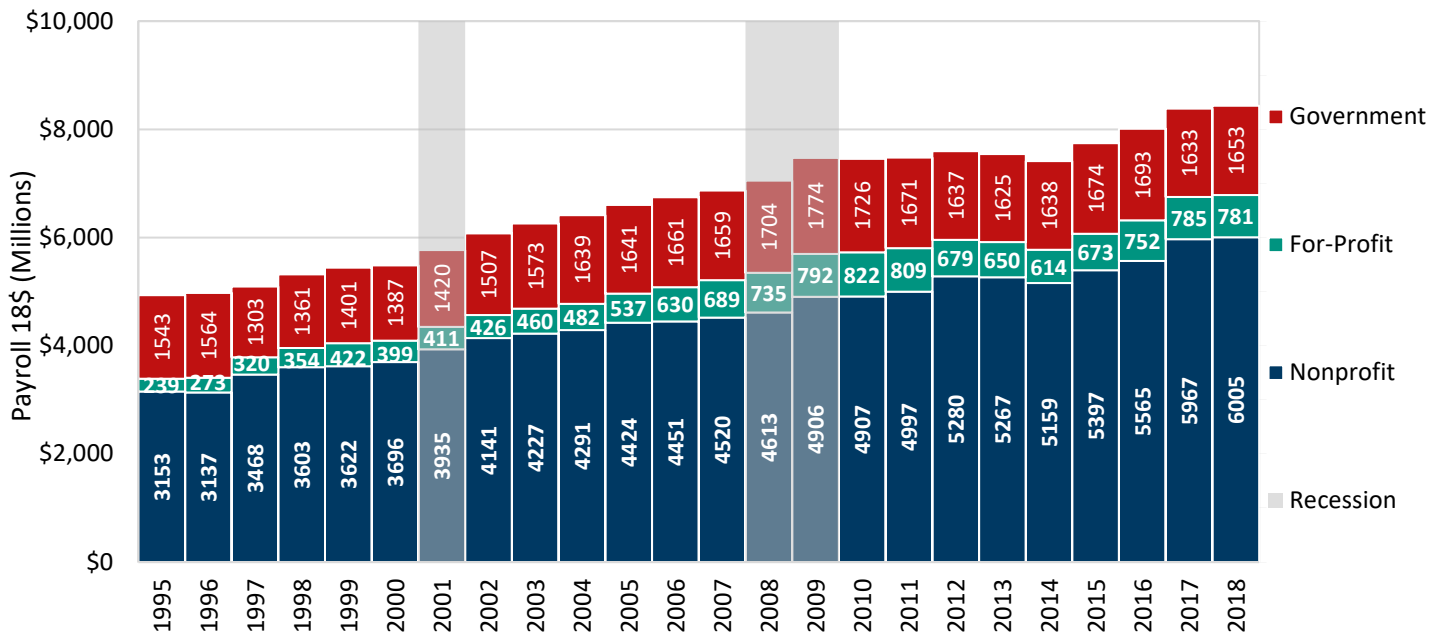
General Hospitals Payroll 18$ (in millions) by Sector (1995-2018)
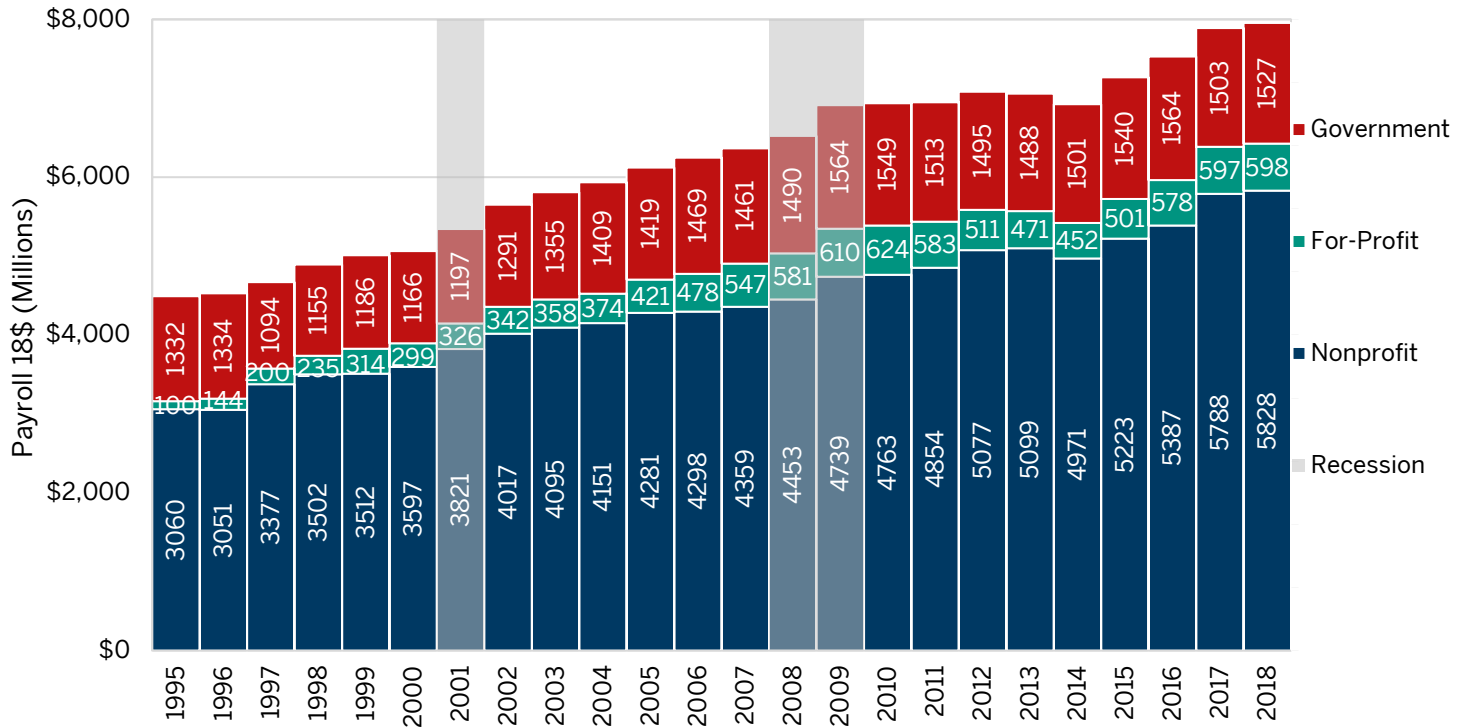
Specialty Hospitals Payroll 18$ (in millions) by Sector (1995-2018)
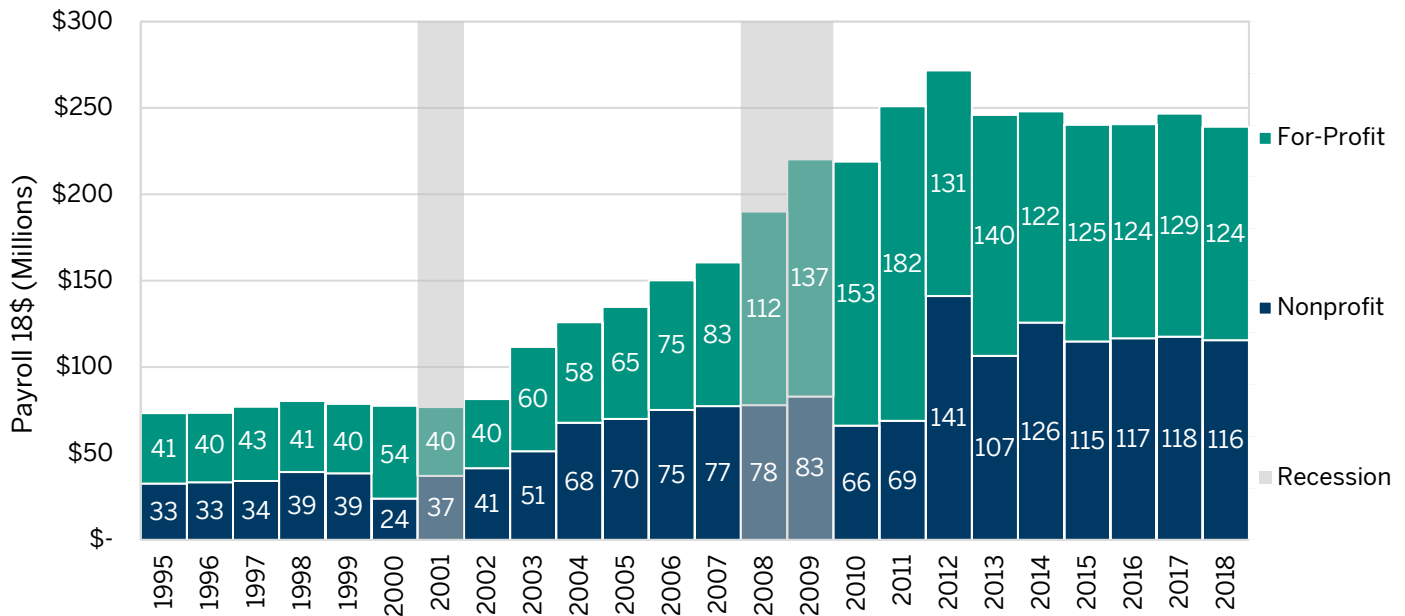
Psychiatric Hospitals Payroll 18$ (in millions) by Sector (1995-2018)

Ambulatory Services Payroll 18$ (in millions) by Sector (1995-2018)
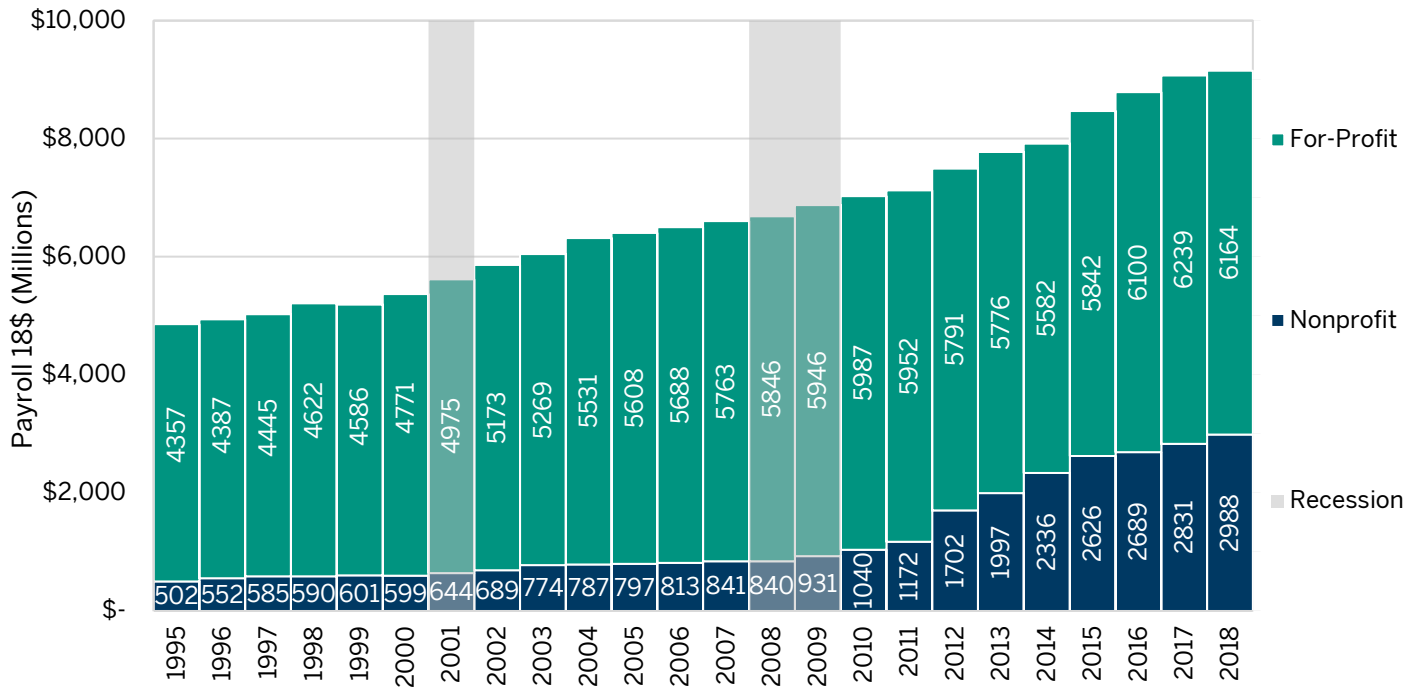
Offices of Physicians Payroll 18$ (in millions) by Sector (2012-2018)
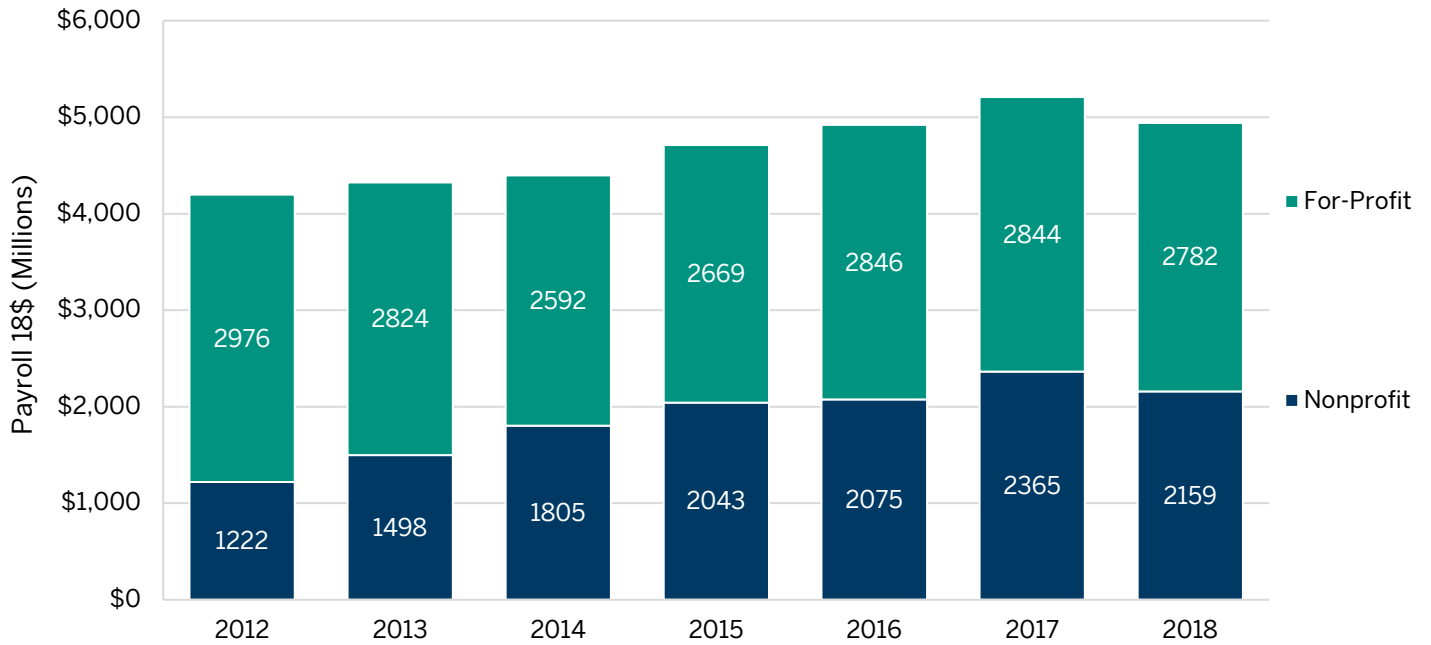
Outpatient Care Centers Payroll 18$ (in millions) by Sector (1995-2018)
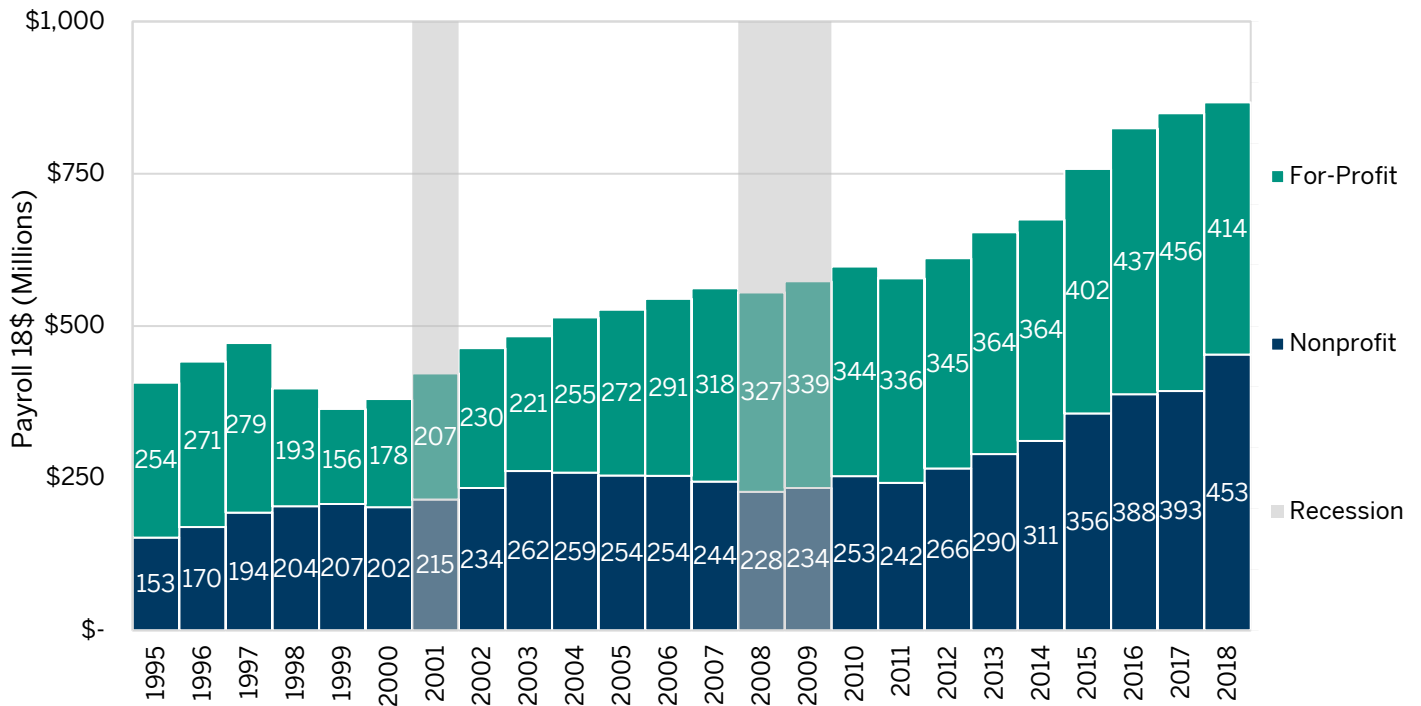
Home Services Payroll 18$ (in millions) by Sector (1995-2018)
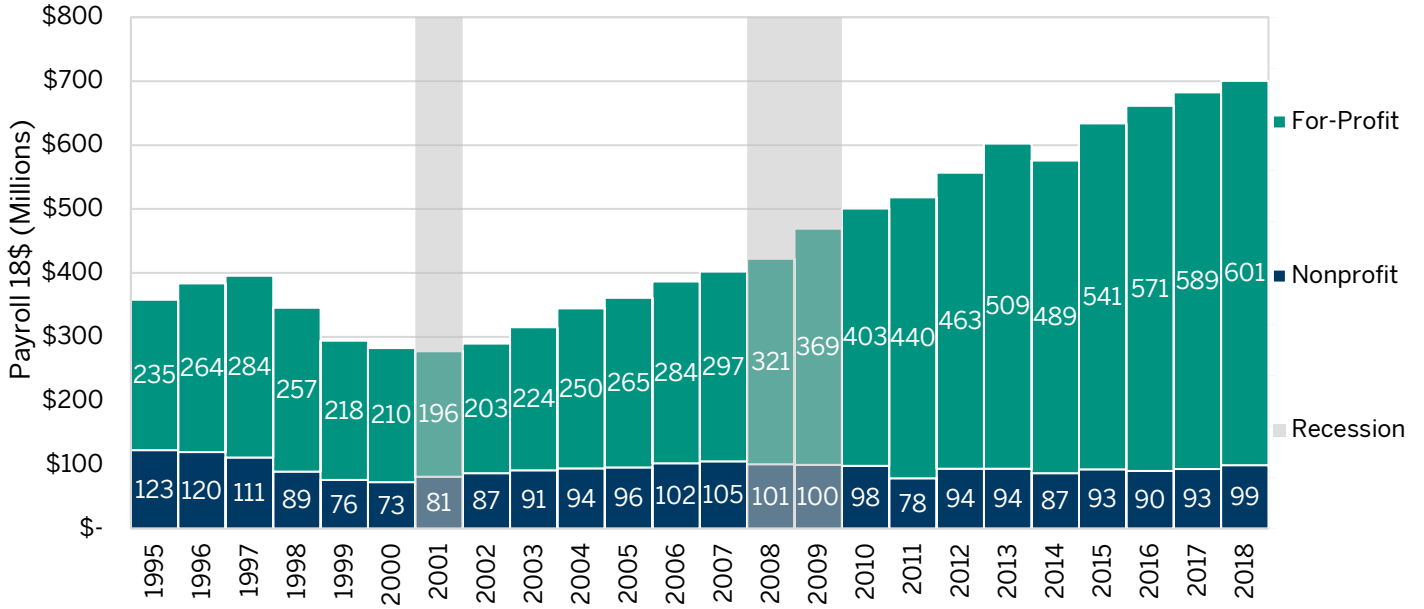
Nursing Facilities Payroll 18$ (in millions) by Sector (1995-2018)
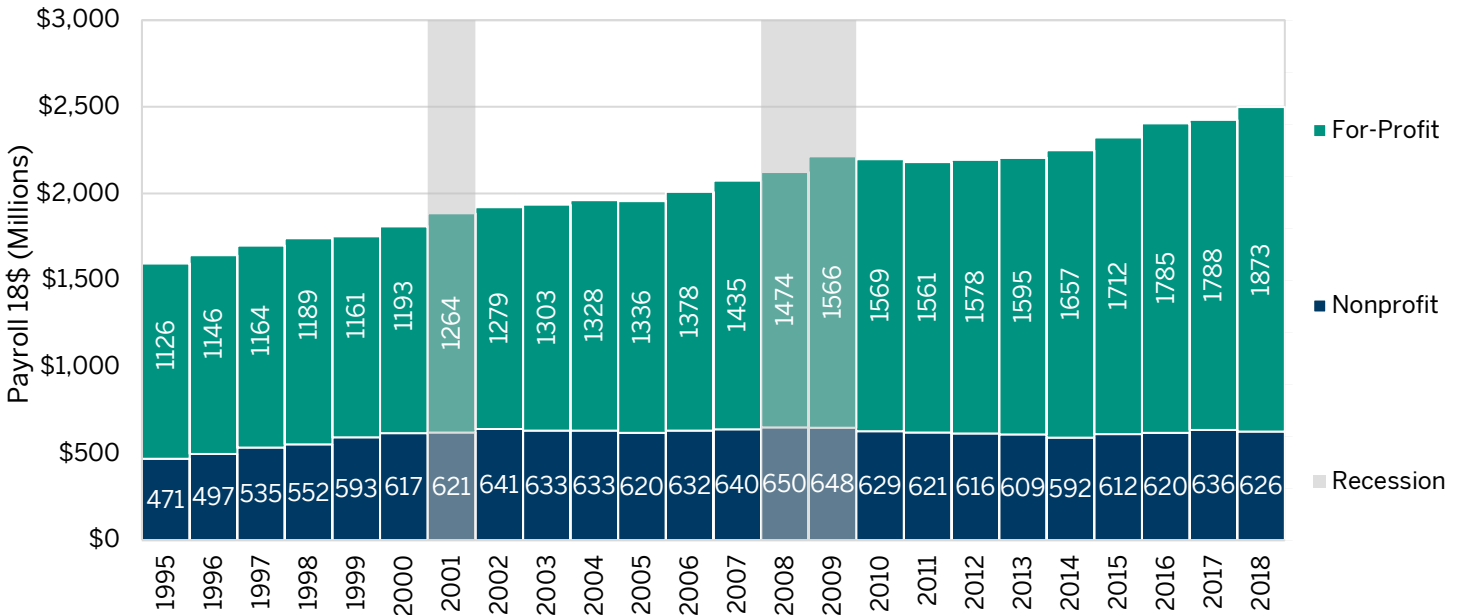
Skilled Nursing Facilities Payroll 18$ (in millions) by Sector (1995-2018)
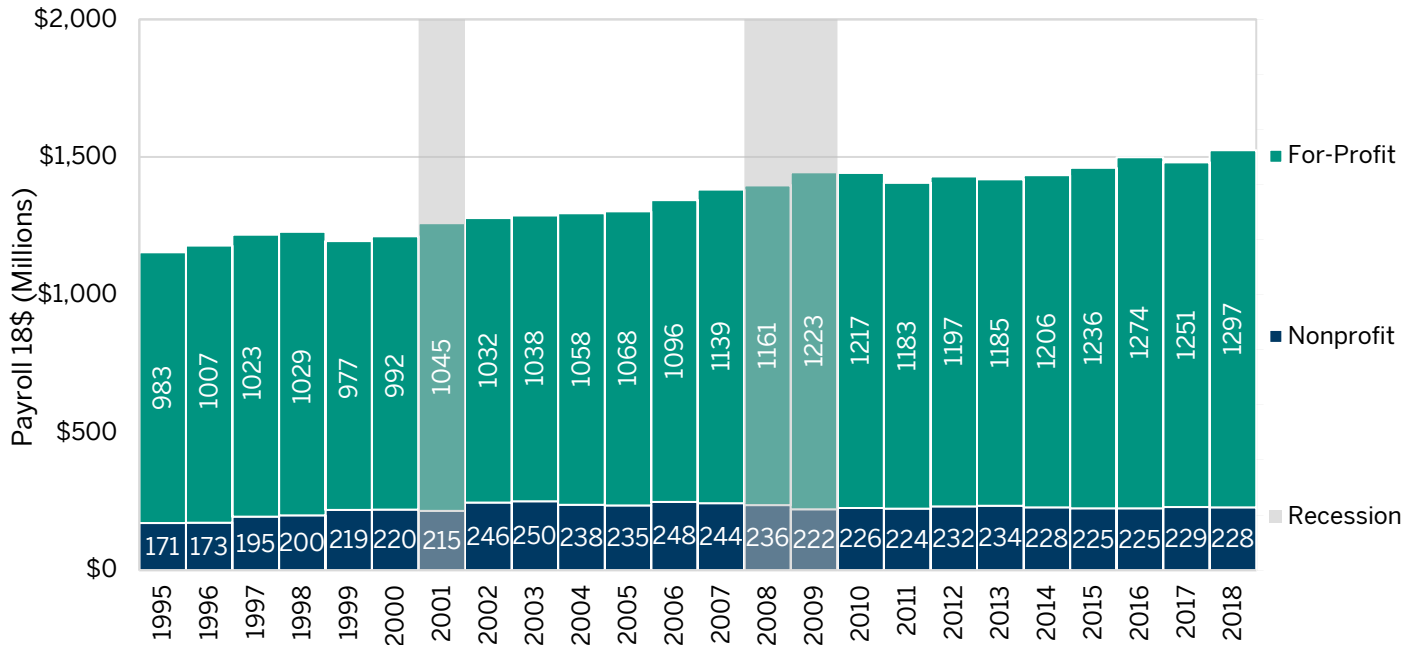
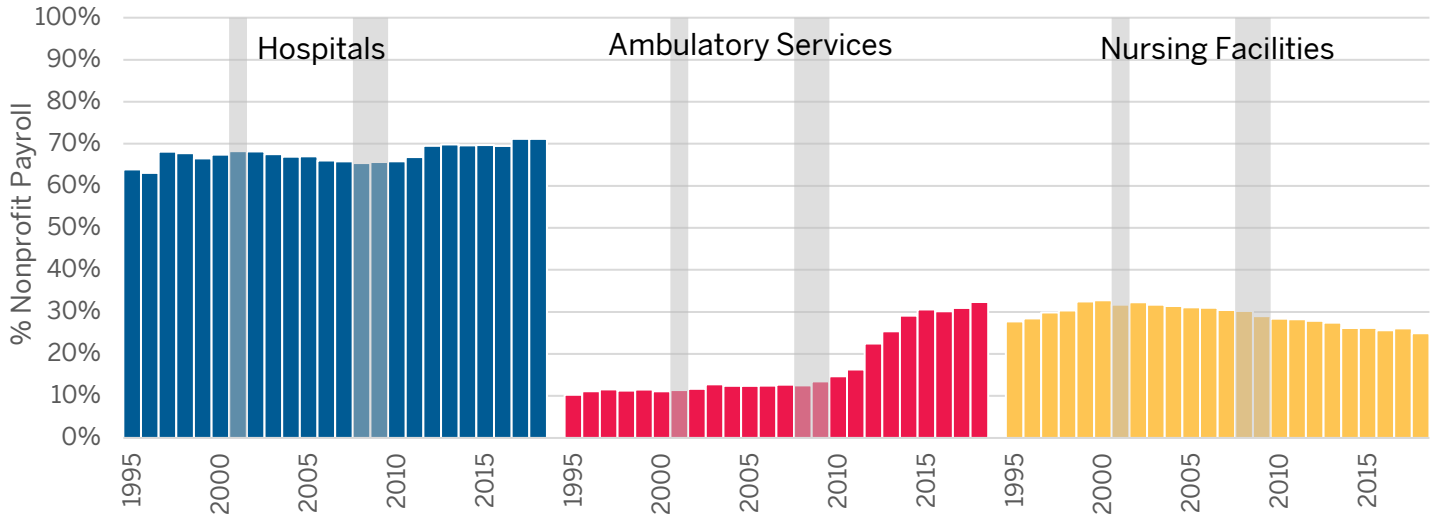**Retirement Facilities Payroll 18$ (in millions) by Sector (1995-2018)**
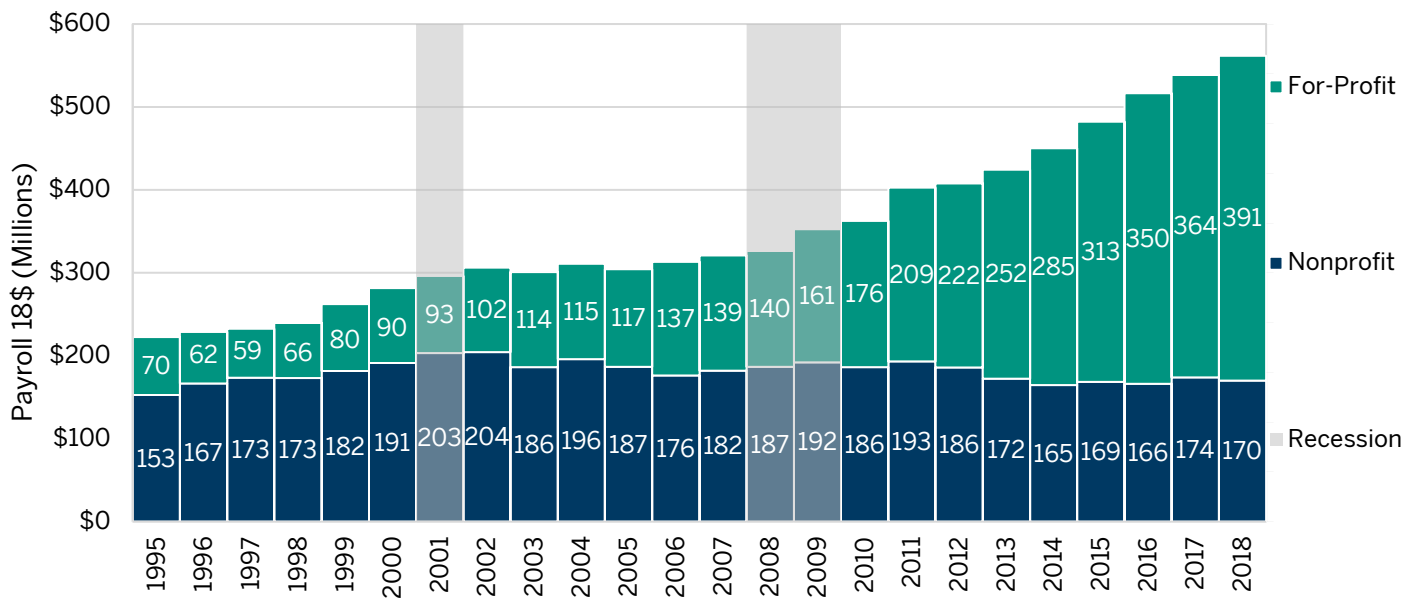
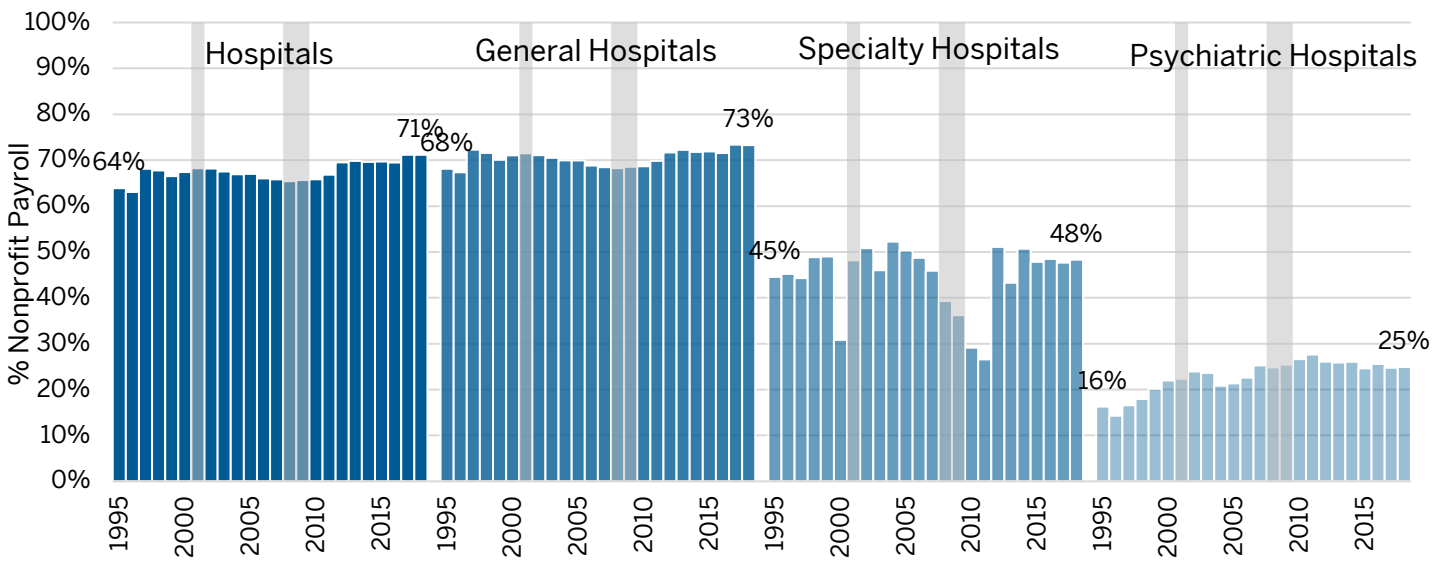**Developmental Disability Facilities Payroll 18$ (in millions) by Sector (1995-2018)**
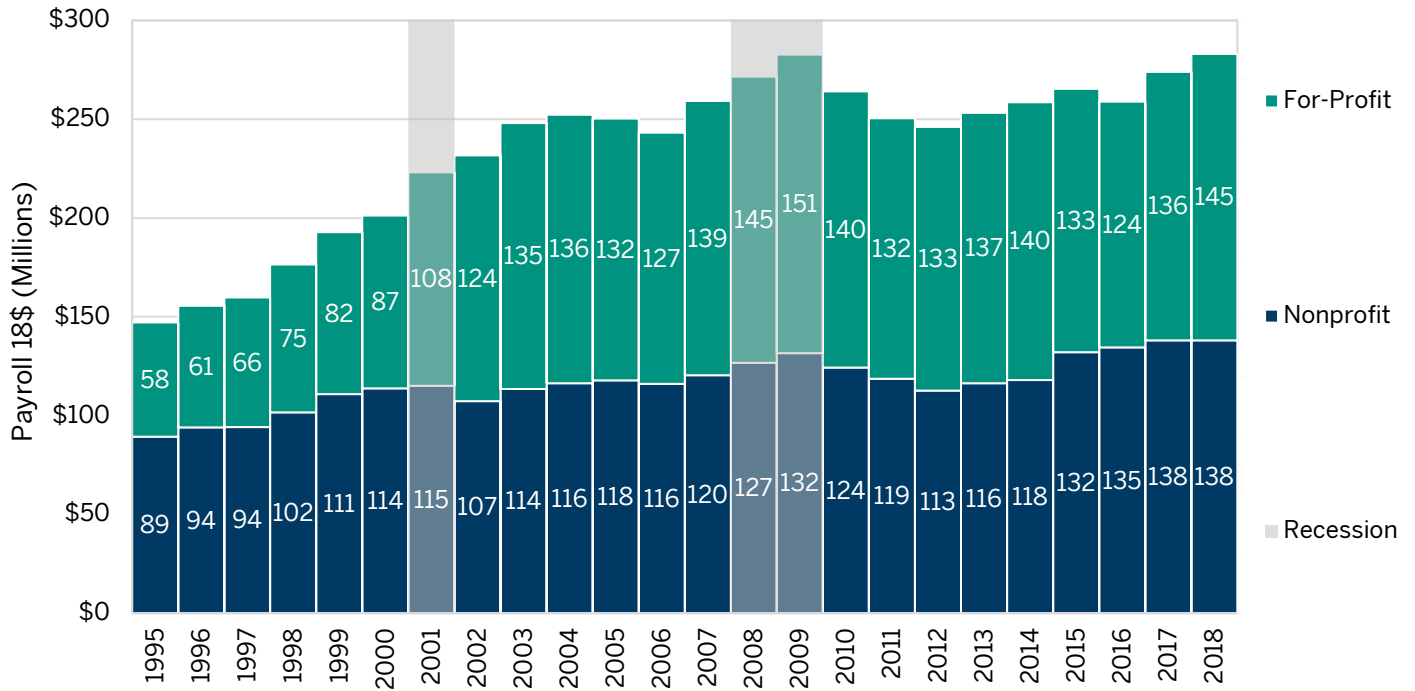
Other Residential Care Facilities Payroll 18$ (in millions) by Sector (1995-2018)
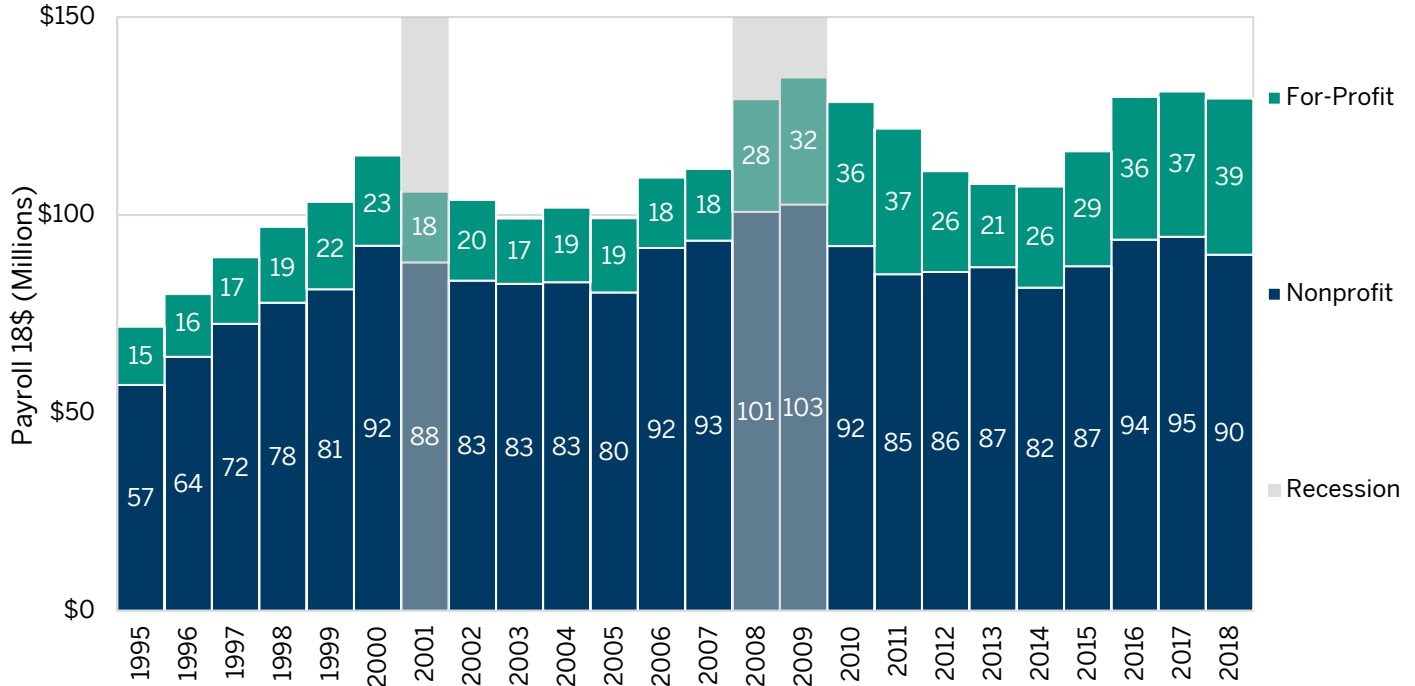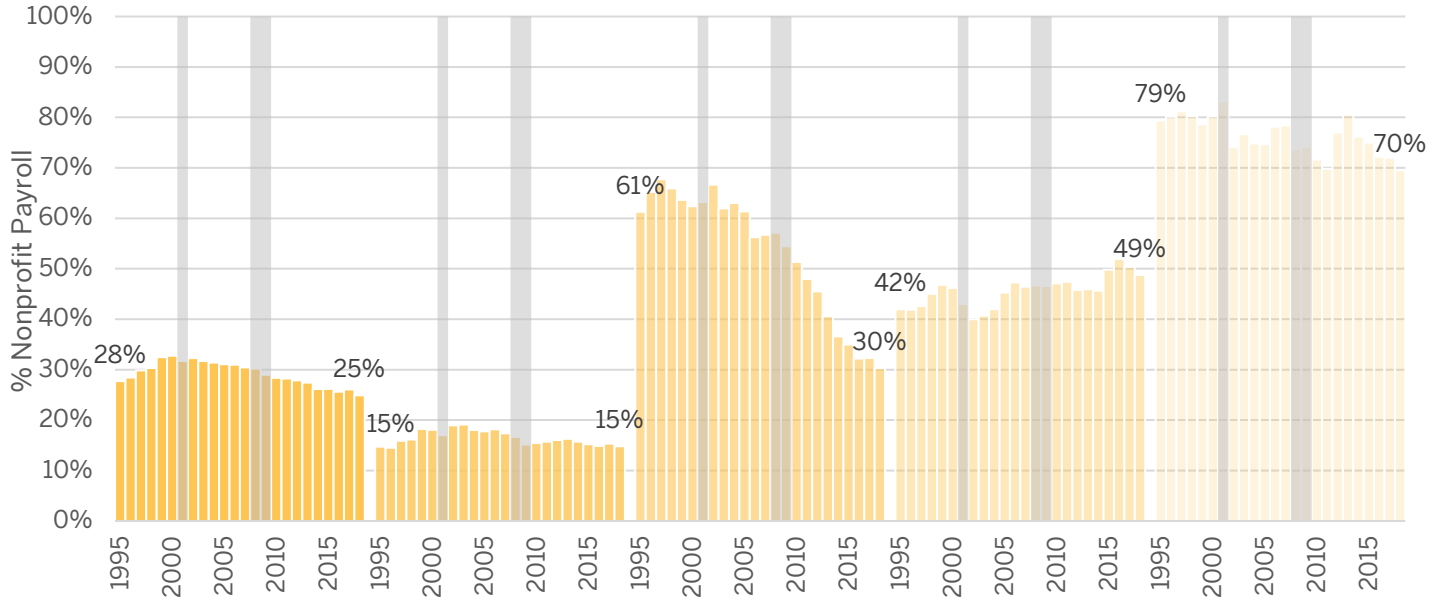
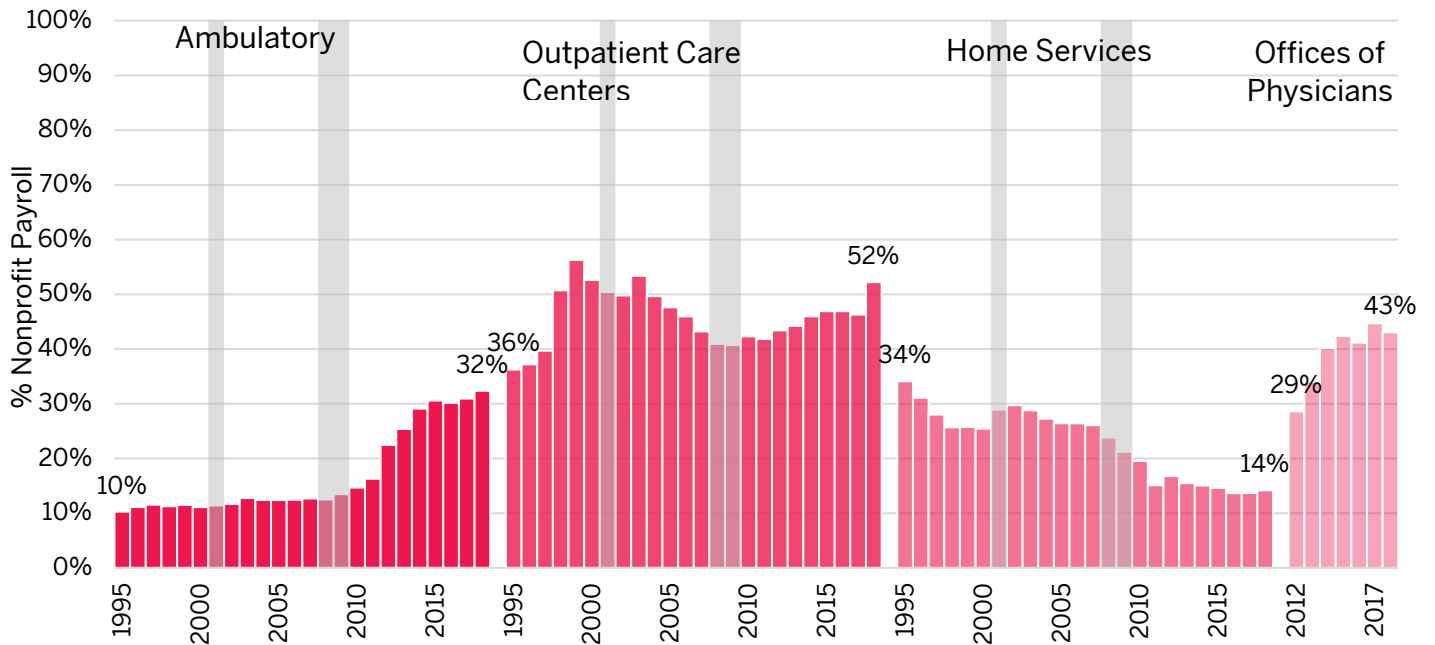**Nonprofit Percent of Total Payroll by Health Care Subindustry (1995-2018)**

Percent of Payroll in Nonprofits by Hospitals Subindustry (1995-2018)

Percent of Payroll in Nonprofits by Nursing Facilities Subindustry (1995-2018)

Percent of Payroll in Nonprofits by Ambulatory Care Subindustry (1995-2018)

IUPUI

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O'NEILL

SCHOOL OF PUBLIC AND
ENVIRONMENTAL AFFAIRS