

Economic Impact of Small, Rural and Critical Access Hospitals

Webinar

**Tuesday, February 17, 2015,
10:30 – 11:30 CST**



Economic Impact of Small, Rural and Critical Access Hospitals

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Outline of Webinar

- **Introductions and Overview**
- **About Guadalupe County Hospital**
- **The Economic Impact of Guadalupe County Hospital**
- **Results of Economic Impact and CHNA to Guadalupe County**
- **Summary: “Why Economic Impact?”**
- **Economic Impact – Part of Community Health Needs Assessment Process**
- **Economic Impact Studies Available from RHW**
- **Contact Information**



About Guadalupe County Hospital

- **Ten-bed general acute care PPS hospital**
- **Hospital is county-owned and operated**
- **Located in Guadalupe County, Santa Rosa, New Mexico (on I-40, ORIGINAL ROUTE 66!)**
- **Besides Route 66, best known for scuba diving site, Blue Hole!**
- **Guadalupe County is a rural/frontier county**
- **Poor with 23.7% in poverty in 2010**



About Guadalupe County Hospital

- **Established under Hill Burton Act in 1952**
- **New facility opened in June 2011, houses: county hospital, retail pharmacy, private for profit primary care clinic, and county's public health office**
- **Hospital is high tech, achieved Meaningful Use 3 years in a row and HIMSS Stage 6 certification**



About Guadalupe County Hospital

- Hospital has high quality scores, having received national recognition for high patient satisfaction rates.
- Does not employ locum tenens or agency staff
- Nearly 100% of all nurses, ancillary, and administrative staff are locals!





**The Economic Impact of
Guadalupe County Hospital
on Santa Rosa and Surrounding Medical Service Area
in Guadalupe County, New Mexico**

Prepared for:

Guadalupe County Hospital

Prepared by:

National Center for Rural Health Works
Oklahoma State University
Community Health Needs Assessment Template

February 2012



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What's the Economic Potential for Health Care in Your Community



Health Services Promote Job Growth



To attract business and industry,

research indicates the area needs quality:

- Health services and
- Education services



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To attract retirees,

research indicates the area needs quality:

- Health services and
- Safety services



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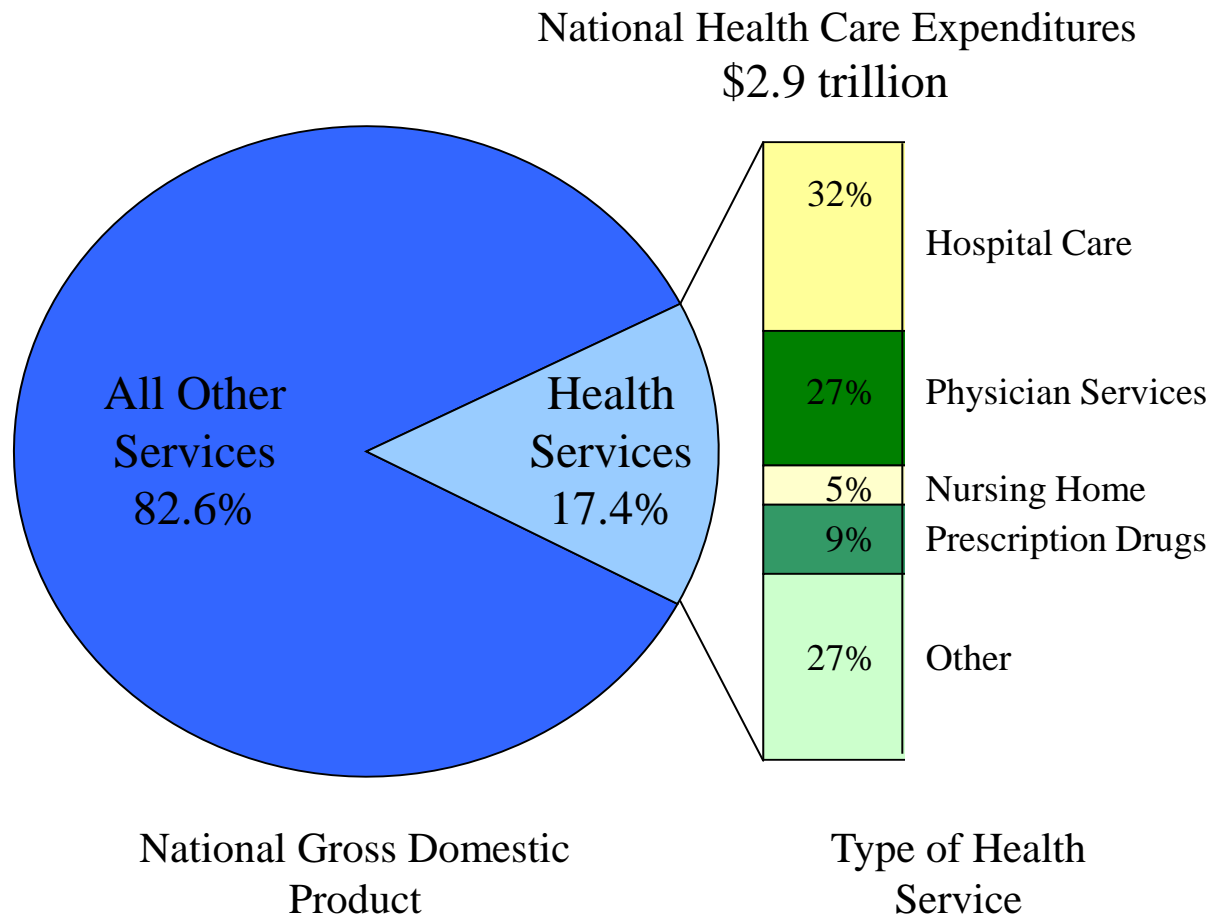
United States Health Expenditures and Employment Data 1970-2013; Projected for 2015-2023

FOR YOUR INFORMATION - CURRENT TABLE

| Year | Total Health Expenditures (\$Billions) | Per Capita Health Expenditures (\$) | Health as % of GDP (%) | Health Sector Employment (000) | Avg. Annual Increase in Employment (%) |
|--------------------|--|-------------------------------------|------------------------|--------------------------------|--|
| 1980 | 255.8 | 1,110 | 8.9% | 5,278 ^a | 7.3% |
| 1990 | 724.3 | 2,855 | 12.1% | 8,211 ^a | 5.6% |
| 2000 | 1,378.0 | 4,881 | 13.4% | 10,858 ^a | 3.2% |
| 2010 | 2,604.1 | 8,428 | 17.4% | 13,777 ^b | 2.7% |
| 2013 | 2919.1 | 9,255 | 17.4% | 14,511 ^b | 2.5% |
| Projections | | | | | |
| 2015 | 3,207.3 | 9,983 | 17.6% | | |
| 2017 | 3,579.0 | 10,943 | 17.8% | | |
| 2019 | 4,042.5 | 12,131 | 18.1% | | |
| 2021 | 4,577.8 | 13,490 | 18.7% | | |
| 2023 | 5,158.8 | 14,944 | 19.3% | | |

National Health Expenditures as a Percent of Gross Domestic Product and by Health Service Type, 2013

FOR YOUR INFORMATION CURRENT Figure 1.



Populations by Race and Hispanic Origin for Guadalupe County and the State of New Mexico

| | White | Black | Native American ¹ | Other ² | Two or More Races ³ | Total | Hispanic Origin ⁴ |
|---------------------|------------------|---------------|---------------------------------|--------------------|--------------------------------------|------------------|---------------------------------|
| 2000 Census | | | | | | | |
| Santa Rosa City | 1,577 | 60 | 48 | 934 | 125 | 2,744 | 2,227 |
| Rural Area | <u>669</u> | <u>2</u> | <u>3</u> | <u>684</u> | <u>39</u> | <u>1,397</u> | <u>1,105</u> |
| Guadalupe County | <u>2,530</u> | <u>62</u> | <u>53</u> | <u>1,855</u> | <u>180</u> | <u>4,680</u> | <u>3,801</u> |
| Percent | <u>54.1%</u> | <u>1.3%</u> | <u>1.1%</u> | <u>39.6%</u> | <u>3.8%</u> | <u>100.0%</u> | <u>81.2%</u> |
| State of New Mexico | <u>1,214,253</u> | <u>34,343</u> | <u>173,483</u> | <u>330,640</u> | <u>66,327</u> | <u>1,819,046</u> | <u>765,386</u> |
| Percent | <u>66.8%</u> | <u>1.9%</u> | <u>9.5%</u> | <u>18.2%</u> | <u>3.6%</u> | <u>100.0%</u> | <u>42.1%</u> |
| 2010 Census | | | | | | | |
| Santa Rosa City | 1,971 | 68 | 57 | 654 | 98 | 2,848 | 2,262 |
| Rural Area | <u>694</u> | <u>3</u> | <u>13</u> | <u>174</u> | <u>32</u> | <u>916</u> | <u>677</u> |
| Guadalupe County | <u>3,298</u> | <u>79</u> | <u>90</u> | <u>1,066</u> | <u>154</u> | <u>4,687</u> | <u>3,730</u> |
| Percent | <u>70.4%</u> | <u>1.7%</u> | <u>1.9%</u> | <u>22.7%</u> | <u>3.3%</u> | <u>100.0%</u> | <u>79.6%</u> |
| State of New Mexico | <u>1,407,876</u> | <u>42,550</u> | <u>193,222</u> | <u>338,521</u> | <u>77,010</u> | <u>2,059,179</u> | <u>953,403</u> |
| Percent | <u>68.4%</u> | <u>2.1%</u> | <u>9.4%</u> | <u>16.4%</u> | <u>3.7%</u> | <u>100.0%</u> | <u>46.3%</u> |

Populations by Age Group for Guadalupe County and the State of New Mexico

| | Age Groups | | | | | | Total |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| | 0-14 | 15-19 | 20-24 | 25-44 | 45-64 | 65+ | |
| 2000 Census | | | | | | | |
| Santa Rosa City | 505 | 211 | 205 | 944 | 549 | 330 | 2,744 |
| Rural Area | <u>288</u> | <u>114</u> | <u>69</u> | <u>360</u> | <u>338</u> | <u>228</u> | <u>1,397</u> |
| Guadalupe County | <u>908</u> | <u>365</u> | <u>298</u> | <u>1,437</u> | <u>1,024</u> | <u>648</u> | <u>4,680</u> |
| Percent | <u>19.4%</u> | <u>7.8%</u> | <u>6.4%</u> | <u>30.7%</u> | <u>21.9%</u> | <u>13.8%</u> | <u>100.0%</u> |
| State of New Mexico | <u>419,108</u> | <u>145,751</u> | <u>121,291</u> | <u>516,100</u> | <u>404,571</u> | <u>212,225</u> | <u>1,819,046</u> |
| Percent | <u>23.0%</u> | <u>8.0%</u> | <u>6.7%</u> | <u>28.4%</u> | <u>22.2%</u> | <u>11.7%</u> | <u>100.0%</u> |
| 2010 Census | | | | | | | |
| Santa Rosa City | 483 | 168 | 202 | 886 | 743 | 366 | 2,848 |
| Rural Area | <u>170</u> | <u>53</u> | <u>42</u> | <u>166</u> | <u>343</u> | <u>142</u> | <u>916</u> |
| Guadalupe County | <u>836</u> | <u>287</u> | <u>278</u> | <u>1,219</u> | <u>1,339</u> | <u>728</u> | <u>4,687</u> |
| Percent | <u>17.8%</u> | <u>6.1%</u> | <u>5.9%</u> | <u>26.0%</u> | <u>28.6%</u> | <u>15.5%</u> | <u>100.0%</u> |
| State of New Mexico | <u>429,980</u> | <u>149,861</u> | <u>142,370</u> | <u>515,768</u> | <u>548,945</u> | <u>272,255</u> | <u>2,059,179</u> |
| Percent | <u>20.9%</u> | <u>7.3%</u> | <u>6.9%</u> | <u>25.0%</u> | <u>26.7%</u> | <u>13.2%</u> | <u>100.0%</u> |

MOST CURRENT County Population Estimates

| | Census | Estimates | | |
|---|--------------|--------------|--------------|--------------|
| | 2010 | 2011 | 2012 | 2013 |
| Guadalupe County | 4,687 | 4,645 | 4,608 | 4,551 |
| Percent Change since 2010 Census | | -0.9% | -1.7% | -2.9% |



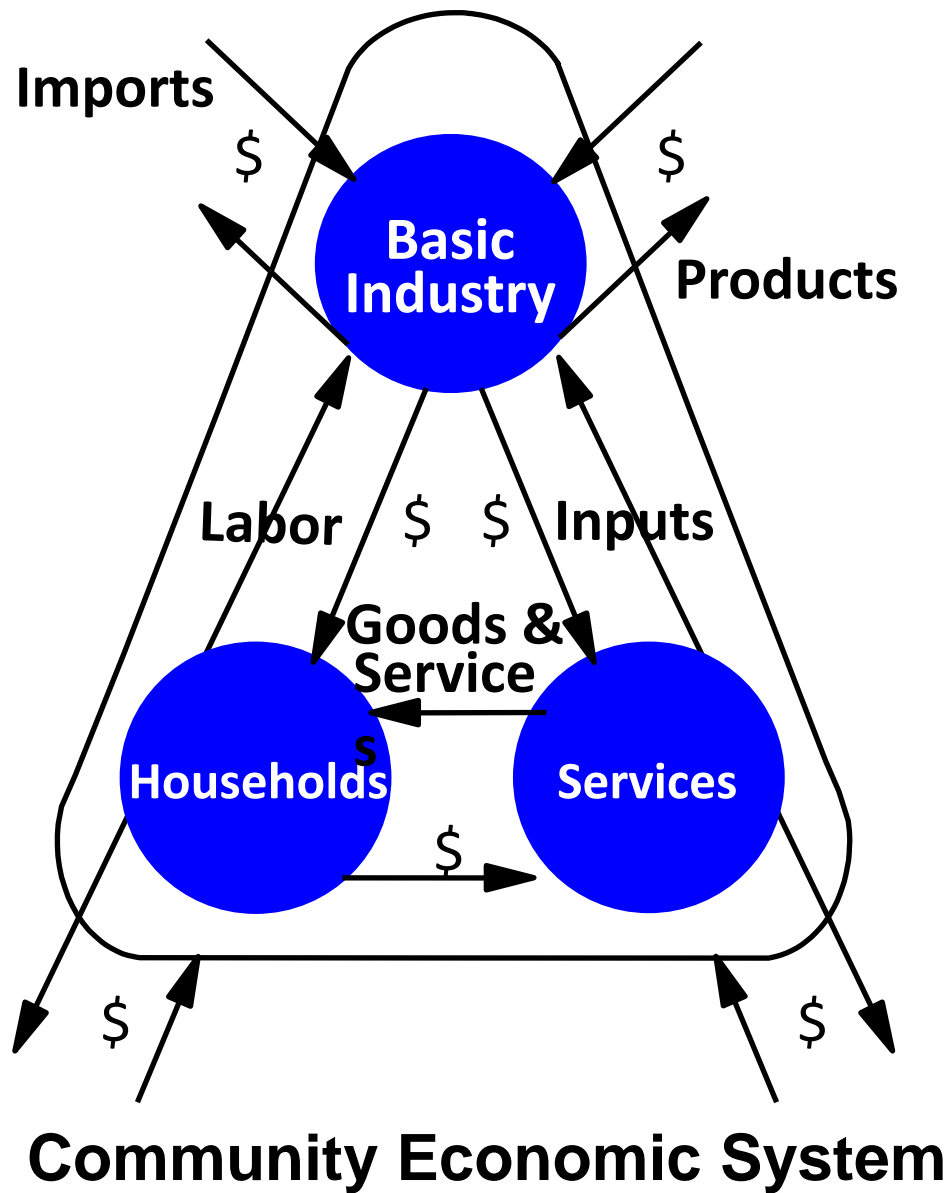
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Direct Activities of Guadalupe County Hospital in Guadalupe County, New Mexico, 2011

| | <u>Employment</u> | <u>Labor Income</u> |
|---|--|----------------------------------|
| | Number of Full-time & Part-Time Employees | Wages, Salaries, and Benefits |
| From Hospital Operations | 50 | \$2,909,410 |
| From Hospital Construction of \$10,000,000 | <u>86</u> | <u>\$3,465,875</u> |
| Total Direct Impact | 136 | \$6,375,285 |



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Employment Impact of Guadalupe County Hospital on Guadalupe County, New Mexico, 2011

| | <u>Employment Impact</u> | | | |
|---------------------------------------|----------------------------|----------------------------------|-----------------------------|-------------------------|
| | Number Employed | Employment Multiplier | Secondary Impact | Total Impact |
| From Hospital Operations | 50 | 1.34 | 17 | 67 |
| From Hospital Construction | <u>86</u> | 1.23 | <u>20</u> | <u>106</u> |
| Total Impact | <u>136</u> | | <u>37</u> | <u>173</u> |



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Income Impact of Guadalupe County Hospital on Guadalupe County, New Mexico, 2011

| | <u>Income Impact</u> | | | |
|-------------------------------|-----------------------------|----------------------|---------------------|--------------------|
| | Direct Income | Income Multiplier | Secondary Impact | Total Impact |
| From Hospital Operations | \$2,909,410 | 1.18 | \$523,694 | \$3,433,104 |
| From Hospital Construction | <u>\$3,465,875</u> | 1.16 | <u>\$554,540</u> | <u>\$4,020,415</u> |
| Total Income Impact | <u>\$6,375,285</u> | | <u>\$1,078,234</u> | <u>\$7,453,519</u> |



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In summary, Guadalupe County Hospital contributes to economic development:

- **Businesses and industries locate in areas with high quality medical facilities and educational systems;**
- **Retirees locate in areas with accessible and comprehensive health care services and law enforcement services;**
- **The health sector is a growing sector and will continue to generate more jobs, and;**
- **The health sector generally pays above-average salaries and wages.**

Local leaders must continue to support Guadalupe County Hospital to ensure development of economic growth and opportunities in Guadalupe County.



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Guadalupe County Hospital

Results from Economic Impact and CHNA

- **Econ impact used to assert the hospital's role as an economic driver in the community**
- **Econ impact stressed role of hospital as a major employer & importance in recruiting businesses and people to the community**
- **In 2011, hospital employment was 50; employment has increased at hospital & primary care clinic**
- **In 2011, total labor income \$2.9 M in 2014, over \$4.0 M due to services expansion and increase in physicians and nurses**



Guadalupe County Hospital

Results from Economic Impact and CHNA

- **Used CHNA to recruit to the community:**
 - a dental services provider in 2012 (through an FQHC managed care clinic),
 - a chiropractor, and
 - a physical therapy center
- **Most recently, developed a niche outpatient service**
 - the only pain intervention and management clinic in northeastern New Mexico.
- **The work continues.**



Addition to Economic Impact Studies - Illustration of Tax Impacts

- **Not-for-profit hospitals are finding it more and more important to justify their not-for-profit status**
- **Adding the tax impacts generated by a hospital (shown below) to the economic impact study may assist these hospitals**



Illustration of Tax Impacts

Total Employment Impact of Hospital X

| Health Care Component | Number of Employees | Employment Multiplier | Secondary Employment Impact | Total Employment Impact |
|-----------------------|---------------------|-----------------------|-----------------------------|-------------------------|
| Hospital | 2,041 | 1.80 | 1,633 | 3,674 |
| Clinics | <u>10</u> | 1.78 | <u>8</u> | <u>18</u> |
| TOTALS | 2,051 | | 1,641 | 3,692 |



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Illustration of Tax Impacts

Total Income Impact of Hospital X

| Health Care Component | Income | Income Multiplier | Secondary Income Impact | Total Income Impact | Retail Sales | 1-Cent Sales Tax Collection |
|-----------------------------|------------------|----------------------|-------------------------------|---------------------------|------------------|-----------------------------------|
| Hospital | \$102,000,000 | 1.58 | \$59,160,000 | \$161,160,000 | \$83,803,200 | \$838,032 |
| Clinics | <u>\$265,000</u> | 1.39 | <u>\$103,000</u> | <u>\$368,000</u> | <u>\$191,360</u> | <u>\$1,913</u> |
| TOTALS | \$102,265,000 | | \$59,263,000 | \$161,528,000 | \$83,994,560 | \$839,945 |



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Illustration of Tax Impacts

Estimated Taxes Generated from Hospital X - Federal Taxes

| Type of Tax | (1000s) |
|--|-----------------------|
| Federal Income Taxes | |
| Taxes Paid by Employees | \$5,565 |
| Taxes Paid by Secondary Employees | <u>\$5,209</u> |
| Total Federal Income Taxes | \$10,774 |



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Illustration of Tax Impacts

Estimated Taxes Generated from Hospital X, State Taxes

| Type of Tax | (1000s) |
|---|-----------------|
| State Taxes | |
| Sales Tax (6%) | \$5,312 |
| State Indigent Tax Paid by Hospital X | \$2,600 |
| State Sales and City Tax on Cafeteria and Pharmacy Paid by Hospital X | \$175 |
| Selective State Sales Taxes ¹ | \$2,633 |
| State Licenses ² | \$774 |
| Other State Taxes ³ | <u>\$1,815</u> |
| Total State Taxes | \$13,309 |

Illustration of Tax Impacts

Estimated Taxes Generated from Hospital X – Local Taxes and Total Federal, State, and Local Taxes

| Type of Tax | (1000s) |
|--|-----------------|
| Local Taxes | |
| Property Tax Paid by Hospital X | \$185 |
| Property Taxes Paid by Hospital X Employees (Operations) | \$3,035 |
| Property Taxes Paid by Construction and Secondary Employees | \$2,841 |
| County Sales Taxes (0.5%) | \$442 |
| City Sales Taxes (1%) | <u>\$885</u> |
| Total Local Taxes | \$7,388 |
| TOTAL FEDERAL, STATE, & LOCAL TAXES | \$31,471 |

SUMMARY: Why Economic Impact?

- Illustrates how the hospital/health services are an economic engine/driver to local economy
- Rural hospital is one of largest employers, typically one of the top two employers
- Hospital and other health services support recruitment and retention of local businesses/industries and retirees



SUMMARY: Why Economic Impact?

- Illustrates how the hospital and other health services contribute to local sales tax
- Can illustrate construction investment of a local hospital; additional jobs and labor income
- Hospital is the cornerstone of all local health services
- Loss of a hospital causes local economy to severely decline; over time, will lose the other health care providers (i.e., physicians, pharmacies, etc.)

**National Center for
Rural Health Works**



www.ruralhealthworks.org

September 2012
Research Study



**American Hospital
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The Economic Impact of a Critical Access Hospital on a Rural Community

Economic Impact - Part of Community Health Needs Assessment Process (CHNA)

- **Hospital/health sector is a growing sector; continues to generate more jobs**
- **Hospital/health sector generally pays above-average salaries and wages.**
- **Local community better understands the importance and role of hospital and other health care providers**
- **Local community better understands the community's health care needs**



Economic Impact - Part of Community Health Needs Assessment Process (CHNA)

- **Local community better understands barriers to provision of local health services**
- **Local community better utilizes local services in order to maintain and sustain local hospital and health care**
- **Local health care providers and other local organizations have opportunity to communicate, coordinate, and collaborate to meet the community's health care needs**



Economic Impact - Part of Community Health Needs Assessment Process (CHNA)

- **Not-for-profit hospitals required to provide CHNA every 3 years**
- **All hospitals (all sizes and all ownerships) can benefit from CHNA**
- **Community realizes role of hospital as first line of defense in medical emergency**
- **Hospital board realizes role of hospital in providing access to primary care locally**
- **General awareness of health care services/hospital services is heightened in the community**



Economic Impact Tools Available

- **Impact of Health Sector on Community Economy**
- **Impact of Hospital on Community Economy**
- **Impact of Replacement Hospital (Construction Activities) on a Community Economy**
- **Impact of Rural Physician on Community Economy**
- **Impact of a Physician Shortage on a Community Economy**
- **Impact of Nurse Practitioner/Physician Assistant on a Rural Economy**
- **Impact of FQHC on a Community Economy**



Economic Impact Studies

- **Impact of a Specialty Physician on a Community Economy**
- **Impact of a Rural General Surgeon on a Community Economy**
- **Impact of a Dental Practice on a Community, Regional, and/or State Economy**
- **Impact of a Pharmacy on a Community Economy**
- **Impact of a Health Network on a Regional Economy**
- **Impact of an Individual Health Network Provider on a County Economy**
- **Impact of Social Services Agencies on a Community Economy**



Economic Impact Studies

- **Impact of a Medical School on a Community, Regional, and/or State Economy**
- **Impact of Telehealth on a Community, Regional, and/or State Economy**
- **Impact of a Veterinarian Practice on a Community, Regional, and/or State Economy**

- **Impact of Health Sector on State Economy**
- **Impact of Hospitals on a State Economy**
- **Impact of Medicaid on a State Economy**



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