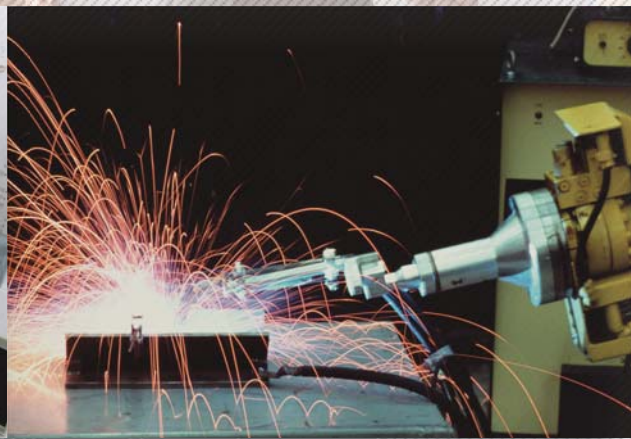


HANYS

WHAT'S AT STAKE

THE IMPACT OF NEW YORK'S
HOSPITALS ON THE ECONOMY
AND OUR COMMUNITIES



HANYS

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Healthcare Association
of New York State



INTRODUCTION

Across New York, hospitals and health systems provide access to vital health care services 24 hours a day, seven days a week, 365 days a year, serving millions of people. This record of service will always be a hospital's most valuable contribution.

Hospitals provide the human touch that reassures families and strengthens the infrastructures of local communities. New York's population is aging. As "baby boomers" enter their senior years, more families will depend on the availability of quality health care and the highly skilled and trained professionals who deliver health care services. Many of New York's families take comfort in knowing their aging parents can be both near to home and close to a first-class hospital. The miracles of medicine and technology make life better for all of us in New York State.

Less often recognized are hospitals' contributions to their local economies, including the number of people they employ, the impact of hospital purchases, and the impact of their employees' spending and tax payments.

Using economic modeling software developed by the U.S. Department of Commerce, Bureau of Economic Analysis, the Healthcare Association of New York State (HANYS) has calculated the full economic value of hospitals in New York. HANYS' analysis explains how hospitals enhance the quality of life in our state's communities. It identifies and measures the direct involvement of hospitals in the local economy and demonstrates the "ripple effect" that hospitals produce, contributing to the overall vitality of economic growth (see Technical Addendum). The report also shows the significance of hospitals as large purchasers of goods and services, the tax collections they contribute to the state and local economies, and the community benefit they provide to create safe, stable, and healthy communities.

HANYS' analysis finds that New York's hospitals generate some \$101.1 billion for the state and local economies each year—about 10% of the Gross State Product.

OUR MESSAGE:

New York's health care system is in precarious financial condition and needs immediate reinvestment. Investing in hospitals and the health care system is an investment in quality of life, the people, the community, the economy, and the future of New York State.

HOSPITALS' TOTAL IMPACT ON NEW YORK STATE'S ECONOMY

	<u>TOTAL DIRECT</u>	<u>TOTAL DIRECT AND INDIRECT</u>
JOBS	357,780	671,730
ECONOMIC IMPACT		
Payroll	\$26,760,499,000	\$57,877,536,000
Supply Purchases	\$17,059,980,000	\$36,897,325,000
Capital Spending	\$ 2,941,278,000	\$ 6,361,396,000
Total Impact	\$46,761,724,000	\$101,136,257,000
TAXES		
Personal Income		
State	\$ 1,244,943,000	\$ 2,123,499,000
Local	\$ 297,743,000	\$ 507,861,000
Sales		
State	\$ 528,401,000	\$ 901,294,000
Local	\$ 539,008,000	\$ 919,386,000
Total State/Local Taxes	\$2,610,095,000	\$4,452,040,000

COMMUNITY BENEFIT:

HOSPITALS MAKE A DIFFERENCE IN THEIR COMMUNITIES

FACTS :

Hospitals Care for Their Communities

- Annually, New York's hospitals:
 - ✓ treat **2.6 million** inpatients;
 - ✓ provide **54 million** outpatient visits, including **7.9 million** emergency room visits;
 - ✓ provide **\$1.6 billion** in uncompensated care and provide an array of health and service programs, many at no charge to their communities; and
 - ✓ deliver more than **250,000** babies.
- Through screenings, outreach, prevention, and other community health programs outlined in hospitals' Community Service Plans, hospitals also save individuals and their communities millions of dollars in treatment costs and lost earnings.
- To provide that care, New York hospitals employ more than **357,780** full-time equivalent (FTE) workers, including **72,000** FTE registered nurses. All combined, hospital employees collectively earn some **\$26.8 billion** in direct wages and fringe benefits per year.
- Hospital payroll expenditures generate and support jobs throughout the economy. All together, hospitals support some **671,730** jobs in New York State—nearly twice the number directly employed. These job holders pay **\$4.5 billion** in state and local personal income and sales taxes.

The public also views hospitals as critical to the local economy. According to a December 2005 poll commissioned by HANYS, 92% of voters believe that hospitals are extremely or very important to their communities. Moreover, another poll recently commissioned by HANYS found that more than 80% of New Yorkers rated the overall quality of care provided by their hospital as good, very good, or excellent. Less than 3% rated their care as poor.

Since September 11, 2001, hospitals have taken on many new roles as communities rely on them for more than medical care and services. New York's hospitals are the lifelines of their communities and are integral to community emergency preparedness. Community expectations of hospitals have changed—communities see hospitals as places of refuge that provide food, shelter, and information.

New York's hospitals strengthen communities by allocating resources to their infrastructure. Hospitals are the leading source of community and public health care outreach. They invest countless dollars in community wellness and disease prevention and outreach programs. Through screening programs, hospitals are able to detect medical conditions earlier in the population, thus lowering the cost of treatment. The state's hospitals continuously try to find ways to intervene and improve the health care status of under-served populations.

HOSPITALS ARE ECONOMIC ENGINES

Hospitals are economic engines to their communities not only because of the jobs they provide, but because accessible health care is necessary for public confidence and safety. A strong and convenient health care system is important to retirees, whose spending can be a significant source of revenue for the local economy, and just as important to young families whose purchases are a source of future growth and vitality.

Hospitals create a safe and comfortable environment and serve as a stimulus for new businesses. They often attract other businesses to the community including retail outlets, banks, grocery stores, family restaurants, tourism, and drug stores. When businesses look to relocate, they typically consider four factors: a strong economic base, good schools, accessible emergency care, and quality health care.

Hospitals and health systems are critical components of any economic development strategy because they offer jobs on all skill and salary levels, they serve as a magnet to attract more health care businesses, and there is a stable and growing demand for health care services.

In addition to being among the largest employers in their communities, hospitals' purchasing patterns provide important secondary income and job benefits to the local economy. Hospitals build relationships with vendors and other businesses in the community. New York State's hospitals also provide the basic services of health care, which allows people to be productive citizens.

HANYS estimates hospitals' impact on the local economy based on the regional multipliers from the Regional Input-Output Modeling System (RIMS II). RIMS II is a model developed by the Bureau of Economic Analysis of the U.S. Department of Commerce that provides an accounting of "inputs" purchased and "outputs" sold by industry in each region. The spending of one industry will have several rounds of "ripple" influence throughout the local economy—this is known as the multiplier effect. RIMS II regional multipliers measure both the direct and indirect impact on the regional economy from a specific industry.

There are multipliers for output (total economic impact), earnings, and employment. HANYS used all three multipliers to estimate the impact of hospitals on the economy, job creation, and tax contributions. These multipliers are applied to hospital spending and employment data from the Institutional Cost Report (ICR) to derive HANYS' estimates. If 2006 ICR data were unavailable, the most recent ICR data available were used and updates from hospitals requested. These data include hospital-based nursing home, home care, and other services, where applicable.

Employment

- New York's hospitals employ more than **357,780** FTE workers, with a total payroll of **\$26.8 billion**.
- Dollars earned by hospital employees and spent on groceries, clothing, mortgage payments, rent, etc., generate approximately **\$57.9 billion** in economic activity for the local economy.
- Hospital employees and those jobs supported indirectly by the hospital paid more than **\$2.6 billion** in state and local personal income taxes in 2004.
- Hospital employees and those jobs supported indirectly by the hospital paid another **\$919.3 million** in local sales taxes and **\$901.2 million** in state sales tax.

Purchasing

- New York hospitals spend about **\$17.1 billion** per year on the goods and services they need to provide health care—for example, medical supplies, electricity for buildings, and food for patients. Funds spent to buy goods and services flow from the hospital to vendors and businesses and then ripple throughout the economy.
- This spending on goods and services generates **\$36.9 billion** in the economy each year.
- In 2004, New York hospitals spent **\$2.9 billion** on buildings and equipment.
- This capital spending generates almost **\$6.4 billion** in the economy each year.
- All together, the dollars spent by hospitals in New York generate approximately **\$101.1 billion** throughout New York's economy and **\$4.5 billion** in state and local personal income and sales taxes.

NEW YORK STATE'S HOSPITALS PROVIDE OTHER IMPORTANT ECONOMIC BENEFITS

- **Medical Education:** New York's 11 academic medical centers and 93 teaching hospitals train thousands of doctors—about 15% of the nation's medical residents; advance the state-of-the-art in medicine; and provide hundreds of thousands of dollars of free care to New York's most vulnerable residents. Medical education programs bring more than \$3 billion per year—much of it from the federal government—into New York's state and local economies. Today, New York also relies on its teaching hospitals to be part of its front-line defense against bioterrorism and emerging diseases, given their sophisticated clinical capabilities.
- **Nursing Education:** Nurse and nurse aide education programs serve a wide variety of people in the community, including those who are pulling themselves out of poverty and depending on public assistance.
- **Research and Grants:** New York's hospitals are an integral part of medical research throughout the state. Research programs and grants at hospitals statewide draw significant funding from sources outside the community every year.



CONCLUSION

The public's need and expectations for reliable hospital and health care services will continue to grow as baby boomers age and as families and businesses seek high-quality health care and medical services; up-to-date technology and techniques; competent and compassionate caregivers; and safe communities in which to live, work, and thrive.

Hospitals are a key ingredient to New York's quality of life and to keeping communities healthy and vibrant. They are major contributors to both the local and state economies and keep families healthy and secure by providing needed health care services. Taxes paid by hospital employees support local schools, police and fire departments, parks, and community centers. When there are cutbacks in health care, the negative effects ripple throughout local economies.

HANYS' analysis provides strong evidence of the significant economic effect of hospitals on their state and local communities. To continue to attract industrial firms, businesses, retirees, and families to New York State, it is crucial that the state have high quality health care providers and services.

It is incumbent on our state's legislators, members of Congress, and community leaders to recognize that hospitals are instrumental in supporting the state and local economy, and to take steps to encourage continued investment in our state's health care system.

TECHNICAL ADDENDUM

HANYS based its estimates of hospitals' economic benefits to communities on the Regional Input-Output Modeling System II (RIMS II) developed by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA). This model calculates the "ripple" effects throughout the local economy of any economic sector's spending. This is known as the multiplier effect.

Regional Multipliers

RIMS II regional multipliers measure both the direct and indirect effects on the regional economy from a specific sector. RIMS II includes multipliers for hospital output, earnings, and employment. HANYS used all three multipliers to estimate the impact of a hospital on its local economy, job creation, and tax contribution.

BEA produces two types of multipliers: direct-effect multipliers and final demand multipliers. The choice of which multiplier to use depends on the availability of data. In general, the direct-effect multipliers reflect the regional relationship between output and earnings while the final demand multipliers reflect the national relationship.

After consultation with BEA, HANYS used the final demand multipliers for output (total economic impact), the direct effect multipliers for employment to ascertain job creation, and the direct effect multiplier for earnings to determine tax contribution.

Economic Regions

Multipliers are available by region and by state (see Table 1). The choice of the region depends on the purpose of the study. For example, if the user wants to estimate the economic impact of a specific industry in a specific county, the multiplier for the county should be used. If the sector under study buys goods from adjacent counties and a significant percentage of its employees also live in other counties, the true economic impact of that industry can only be measured by using a larger geographic area. Generally, the impact of inter-regional commerce can only be measured by using a larger area.

In deriving the economic impact of a particular region's hospitals, regional multipliers are applied to hospital data. However, to determine the economic impact for the state as a whole, statewide multipliers are used to capture the impact of inter-regional commerce.

The multipliers used in this study reflect only impacts on counties within New York State and exclude the ripple effect on areas outside the state. Within New York State, HANYS used multipliers for each BEA-defined economic area to estimate each hospital's impact on its economic area. The 14 downstate counties are divided into several sub-areas to reflect their unique geographic and economic conditions (see Table 2).

Hospital Data

HANYS applied Institutional Cost Report (ICR) data for hospital total expenditures and jobs to the multipliers to arrive at its impact estimates. If 2006 ICR data were not available, HANYS used 2005 ICR data and requested updates from hospitals.

HANYS sent ICR data to hospitals for verification. Some hospitals submitted changes; these requested changes, including updating 2005 data to 2006, were incorporated into the database.

Estimates on State and Local Taxes

Personal income and sales taxes are estimated based on information from the New York State Department of Taxation and Finance. Local income tax contribution is estimated only for New York City hospitals. Income tax for the City of Yonkers is not included in this study. This tax is levied on both residents and non-resident workers and, due to the limitation of the multipliers, cannot be accurately assessed using this methodology. Dividing the tax collections by the reported adjusted gross income (from income tax returns) derives tax contribution ratios. These ratios are then applied to the earnings from our multiplier study to estimate tax contributions.

Table 1: RIMS II MULTIPLIERS – HOSPITALS

<u>ECONOMIC AREA</u>	<u>FINAL DEMAND MULTIPLIERS</u>	<u>DIRECT-EFFECT MULTIPLIERS</u>	
	<u>Output</u>	<u>Earnings</u>	<u>Employment</u>
New York State	2.1628	1.7057	1.8775
Albany-Schenectady-Troy Economic Area	2.0232	1.6754	1.8756
Buffalo-Niagara Falls Region	2.0834	1.6904	1.8923
Clinton, Essex, and Franklin Counties	1.6628	1.4195	1.5998
Dutchess County Primary Metropolitan Statistical Area	1.5546	1.3947	1.5823
Nassau-Suffolk Primary Metropolitan Statistical Area	2.1181	1.7505	1.9473
New York City Region	1.7285	1.4398	1.5611
Orange County	1.7522	1.5011	1.6675
Rochester Region	1.9243	1.5909	1.7792
Sullivan and Ulster Counties	1.6952	1.4512	1.6396
Syracuse Region	1.9308	1.6041	1.7978
White Plains Region	1.9223	1.5635	1.7026

Table 2: ECONOMIC AREAS USED IN THE REPORT

<u>ECONOMIC REGION</u>	<u>COUNTY</u>	<u>ECONOMIC REGION</u>	<u>COUNTY</u>
Albany-Schenectady-Troy Economic Area	Albany	Rochester Region	Chemung
	Columbia		Genesee
	Fulton		Livingston
	Greene		Monroe
	Hamilton		Ontario
	Montgomery		Orleans
	Rensselaer		Seneca
	Saratoga		Steuben
	Schenectady		Wayne
	Schoharie		Wyoming
	Warren		Yates
Buffalo-Niagara Falls Region	Washington	Syracuse Region	Broome
	Allegany		Cayuga
	Cattaraugus		Chenango
	Chautauqua		Cortland
	Erie		Delaware
Niagara	Herkimer		
Clinton, Essex, and Franklin Counties	Clinton		Jefferson
	Essex		Lewis
	Franklin		Madison
Dutchess County Primary Metropolitan Statistical Area (PMSA)	Dutchess		Oneida
	Sullivan		Onondaga
Sullivan and Ulster Counties	Ulster	Oswego	
	Nassau-Suffolk PMSA	Nassau	Otsego
Suffolk		St. Lawrence	
New York City Region		Bronx	Schuyler
	Kings	Tioga	
	New York	Tompkins	
	Queens	White Plains Region	Putnam
	Richmond		Rockland
Orange County	Orange	Westchester	
	New York State	All Counties	

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