

**The Economic Impact of the Local Health Care System
On the Pike County Economy: An Executive Summary**

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Executive Summary

Health Care represents an important part of rural economies. In an era when rural economies are struggling to keep pace with their urban counterparts, the health care sector (which includes hospitals, nursing homes, medical personnel and other resources) represent a bright spot in the economic landscape. There are four major roles for health care in rural economic development through financial and non-financial linkages: 1) keeping local health care dollars at home 2) attracting external dollars into the community, 3) attracting and retaining new industry and 4) promoting a healthy and productive workforce.

This brief report highlights the economic impact of health care in Pike County. Pike County's health care system is an important component of the local economy. This importance can be measured via the linkages the health care sector shares with other local industries. When there is an increase in health care revenue or employees, these changes feed through the rest of the local economic system. For example, more supplies may be purchased through local vendors or new employees may purchase homes and spend money in local stores. The health care expenditures and health care employees are important pieces of the economic puzzle.

Currently, Pike County's health sector generates \$270,563,129 in revenue or local sales from goods and services provided to the health care sector as well as 4,473 jobs in the county's economy. Hence, further opportunities for local health care services may exist in the local economy. If the local health care system expands, there will be a broad range of corresponding economic effects throughout the community.

Economic Impact Results

The results of the economic impact are presented through the: (1) Employment (2) revenue or sales impact on Pike County economy. The employment and revenue impact analyses are summarized in Tables 1 and 2 below.

The employment effect or impact demonstrates the relationship between health care expenditures and employment creation in the community. For Pike County health care sector, the employment effect, known as the multiplier, is 1.40 shown in Table 1. This is the effect a single job has on the rest of the economy. Therefore, every health care job creates an additional .40 jobs in the local economy. Hence, every one hundred new health care jobs would generate 40 jobs in the community. This employment effect (multiplier) directly creates 3,185 jobs, indirectly creates 364.3 jobs and health care employee spending creates 923.8 jobs. In total, a 1.40 employment multiplier creates 4,473 jobs in Pike County. These jobs are directly or indirectly tied to the local health care system finances.

Table 1

Pike County Health Care Sector Impact on County Employment

Direct Impact of Health care Employment	Indirect Impact of Health Care Employment	Induced Impact of Health Care Employment	Employment Multiplier	Total Impact Of Health Care Employment.
3,185 Jobs	364.3 Jobs	923.8 Jobs	1.40	4,473 Jobs

Source: 2000 IMPLAN Data Base

The sales or revenue impact represents the amount of local sales generated due to the existence of the Pike County health care system (see Table 2). This revenue represents sales from vendors to the health care providers. The \$198,773,296 dollars in Table 2 represents the direct proceeds from the health care system and is the direct

impact effect. Health care vendors are supplied by other vendors, thus creating more employment and income opportunities. Subsequently, the indirect effect is \$22,237,656 million dollars and represents the health care vendors' spending within the county. Finally, health care employees purchase goods and services in the local economy and represent the induced impact on the county. The induced impact on Pike County is \$49,552,177 dollars and is associated with health care employees' purchases of goods and services locally. Based on the revenue multiplier, (this is the effect of a single dollar on the economy) of 1.36, the Pike County health care sector has a total, economic impact of \$270,563,129 dollars as shown in Table 2.

Table 2

Pike County Health Care Sector Impact on County Revenue (Sales)

Direct Impact of Health care Sector Output	Indirect Impact of Health Care Sector Output	Induced Impact of Health Care Sector Output	Output (Sales) Multiplier	Total Impact Of Health Care Sector Output (Sales)
\$198,773,296	\$22,237,656	\$49,552,177	1.36	\$270,563,129

Source: 2000 IMPLAN Data Base

This brief report can be useful when focusing on a discussion of the economic development of health care in Pike County. A community can identify the current economic and financial roles of county health care providers. Second, potential opportunities for new medical services can be identified in the community. Further research or market demand analysis can determine the feasibility of providing services locally. Seeking out new opportunities for local services will increase the economic impact of the county's health care system on the local economy. Telemedicine, health care networking and other activities should be examined to enhance the economic role of the local health care system.