

**The Economic Impact of Critical Access Hospitals
On 20 Rural Kentucky Counties**

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The Economic Impact of Critical Access Hospitals (CAHs) On 20 Rural Kentucky Counties

- Kentucky Critical Access Hospitals (CAHs) play an important economic role within their local communities and contribute to the overall economic viability of their home counties.
- This analysis examines the economic impact of Kentucky Critical Access Hospitals only, and does not consider the effects of other health care providers within the local health care sector.

Multiplier Type	Direct Impact	Indirect Impact	Induced Impact	Multiplier	Total Impact
<p>Output (Sales)</p> <p>Represents the amount of local sales (revenue generated) in the local economy of 20 rural counties due to the impact of the KY CAHs</p>	<p>\$199,979,008</p> <p>Represents the direct sales from vendors to the KY CAHs</p>	<p>\$31,415,505</p> <p>Represents the indirect impact from vendors' spending, which is local industry-to-industry transactions</p>	<p>\$54,290,485</p> <p>Represents the induced impact due to KY CAH employees' purchases of local goods and services within their communities</p>	<p>1.43</p>	<p>\$285,685,004</p> <p>Represents the total revenue generated in the 20 rural counties due to sales from the KY CAHs and their employees</p>
<p>Labor Income</p> <p>Indicates the level of personal income that is dependent on the KY CAHs</p>	<p>\$111,185,552</p> <p>Represents the estimated payroll paid to KY CAH employees</p>	<p>\$10,657,683</p> <p>Represents the indirect impact from the labor income from these 20 KY CAHs</p>	<p>\$18,221,276</p> <p>Represents the induced impact from the labor income from these 20 KY CAHs</p>	<p>1.26</p> <p>For every \$1.00 of labor income generated by the KY CAHs, an additional 0.26 cents of income was generated within the local economy</p>	<p>\$140,064,519</p> <p>Represents the total labor income impact in the 20 counties due to KY CAHs</p>
<p>Employment</p> <p>Demonstrates the relationship between KY CAH expenditures and job creation within the 20 rural KY counties</p>	<p>3,378.3 Jobs</p> <p>KY CAHs directly create approximately 3,378.3 jobs</p>	<p>436.6 Jobs</p> <p>KY CAHs indirectly generates 436.6 jobs through industry-to-industry transactions</p>	<p>867.6 Jobs</p> <p>KY CAH employee spending produces another 867.6 jobs</p>	<p>1.39</p> <p>For every 1 hospital job, an additional 0.39 jobs are created in the local economy</p>	<p>4,682.5 Jobs</p> <p>Represents the total jobs that are directly or indirectly tied to KY CAHs</p>

Critical Access Hospitals (CAHs) represent an important component of the rural Kentucky economy. This brief highlights the economic impact of Kentucky Critical Access Hospitals (CAHs) on their home counties of Adair, Breckenridge, Carlisle, Carroll, Casey, Cumberland, Estill, Floyd, Grant, Hart, Leslie, Lincoln, Livingston, Mercer, Morgan, Owen, Simpson, Trigg, Union and Woodford. This analysis considers only the economic effect of the Critical Access Hospitals, and does not include the impact from other health care providers such as, for example, doctor offices, pharmacies, and nursing homes. This analysis is strictly confined to the 20 Kentucky Critical Access Hospitals. The expenditures from the 20 Kentucky CAHs and their employees exert a significant economic impact on rural Kentucky counties. The results indicate that in 2000, the economic activities generated by 20 Kentucky CAHs created approximately 4,682.5 local jobs, \$285,685,004 in local revenues and \$140,064,519 in labor income. Table 1 provides a summary of the findings.

Table 1: Economic Impact of Critical Access Hospitals on 20 Rural Kentucky Counties

Multiplier Type	Direct Impact	Indirect Impact	Induced Impact	Multiplier	Total Impact
Output (Sales)	\$199,979,008	\$31,415,505	\$54,290,485	1.43	\$285,685,004
Labor Income	\$111,185,552	\$10,657,683	\$18,221,276	1.26	\$140,064,519
Employment	3,378.3 Jobs	436.6 Jobs	867.6 Jobs	1.39	4,682.5 Jobs

Source: changes that reflect the use of Implan: 2000

The output (sales) multiplier represents the amount of local sales or revenue generated in the local economy of 20 rural counties due to the impact of the Kentucky Critical Access Hospitals (CAHs) (see Table 1 and the Kentucky CAH Map). This revenue represents sales from vendors to the 20 Kentucky CAHs. The \$199,979,008 represents the direct sales from vendors to the CAHs and is the direct multiplier effect. Other sellers, merchants and dealers supply health care vendors. These transactions create other employment and income opportunities within the 20 counties. Subsequently, the indirect impact from vendors' spending is \$31,415,505 and represents the local

industry-to-industry transactions. Kentucky CAH employees purchase goods and services in their local areas, which causes an induced impact on their communities. The induced impact on the 20 counties is \$54,290,485. Based on the total expenditures of \$199,979,008 (the direct impact from the 20 hospitals) for fiscal year 2000, Kentucky CAHs had a significant total economic impact of \$285,685,004 on their local communities. This 285 million dollars represents revenue generated in the 20 rural counties due to sales from the hospitals and their employees.

The employment multiplier demonstrates the relationship between the Critical Access Hospitals' expenditures and job creation within the 20 rural Kentucky counties. In essence, these 20 Kentucky rural counties rely heavily on the CAHs for their existence. In these 20 counties, the employment impact from 3,378.3 jobs creates an additional 1304.2 jobs through hospital and employee spending. The employment multiplier shows that the 20 Kentucky CAHs directly create approximately 3,378.3 jobs, indirectly generates 436.6 jobs through industry-to-industry transactions, and hospital employee spending produces another 867.6 jobs. The employment multiplier for the 20 Kentucky CAHs is 1.39. This employment multiplier indicates that for every hospital job an additional 0.39 jobs are created in the local economy. In total, 4,682.5 jobs in the 20 Kentucky counties are directly or indirectly tied to the local finances of Kentucky Critical Access Hospitals.

The impact from labor income indicates the level of personal income that is dependent on the payroll from these 20 Kentucky CAHs. Within these 20 counties, CAH employees are paid an estimated \$111,185,552 in payroll, which represents the direct impact. This income translates into more local spending, job creation, and consequently, more income in these rural communities. The indirect impact from the labor income from these 20 Kentucky CAHs was estimated to be \$10,657,683. The induced impact was \$18,221,276 and the total labor income impact was \$140,064,519. The income multiplier was 1.26, which means that for every one dollar of labor income generated by the Kentucky CAHs, an additional 0.26 cents of income was generated within the 20 counties.

The results indicate that these 20 Kentucky Critical Access Hospitals (CAHs) play an important economic role within their local communities and contribute to the overall economic viability of their

home counties. The economic impact is primary felt through hospital expenditures on local services as well as employee spending in the local retail and service sectors. Like many hospitals, rural and urban, complex medical equipment must be purchased outside the local community, which reduces the size of the economic impact. However, it is evident that these hospitals do patronize many local businesses and industries within their communities, which further supports their local economies and economic development.