

## Economic Impact of the Local Health Care System on Greenup & Boyd Counties



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Community & Economic Development

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## Kentucky Rural Health Works

### Connecting Health Care, Community Awareness & Economic Development

Partners  
UK Depart. Agriculture Economics  
UK Cooperative Extension Service  
UK Center for Rural Health  
KY State Office of Rural Health

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## **Introduction:** **Health Care & the KY Economy**

Health care services: “engine” of growth in rural KY

- 1980's – health care industry earnings represented 6.7% of all industry earnings
- 1990's – health care industry earning increased to 12.3% in KY
- Health care is 3<sup>rd</sup> largest industry category in KY trailing only manufacturing and state/local government
- Medical transfer payments represent ~10% of KY's personal income

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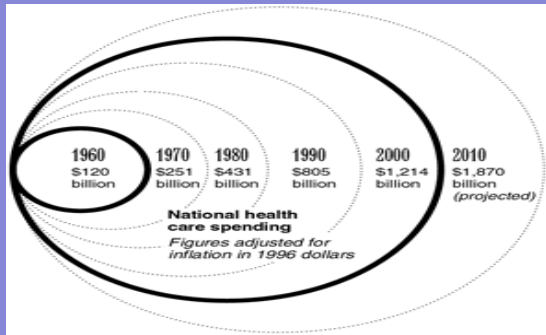
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## Health Care in National Economy




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## Why are health care services growing so quickly?

Response to increasing levels of retirement & medical transfer payments (Demographics)

- Retirement-based personal income is fastest source of income growth in rural areas
  - 1990 – represented 4.1%
  - 1999 – represented 6.2%
- Non-Wage income growing at twice the rate of wage based income

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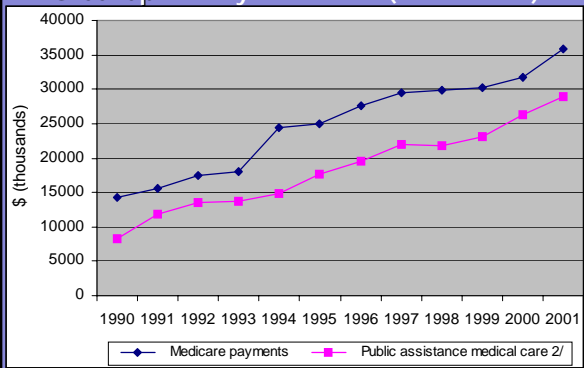
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## Medicare and Medicaid Payments to Greenup County Residents (Thousands)




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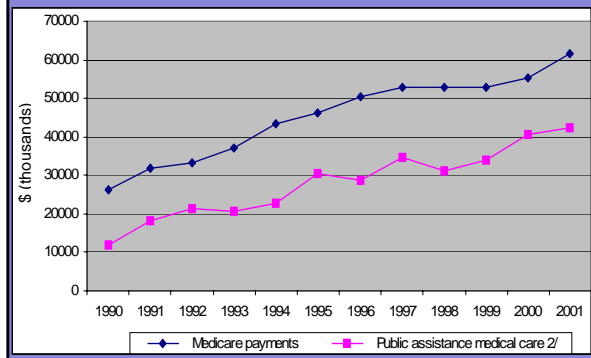
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### Medicare and Medicaid Payments to Boyd County Residents (Thousands)




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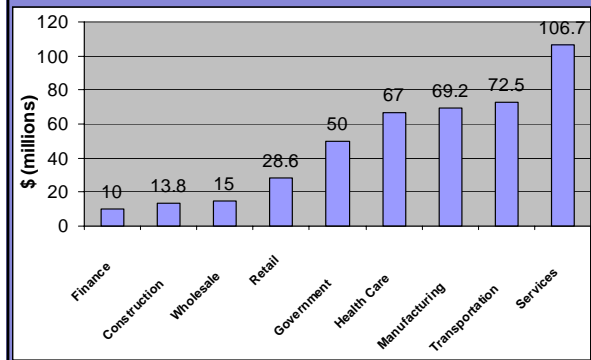
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### Greenup County Economy



Note: Mining & Agriculture data not available

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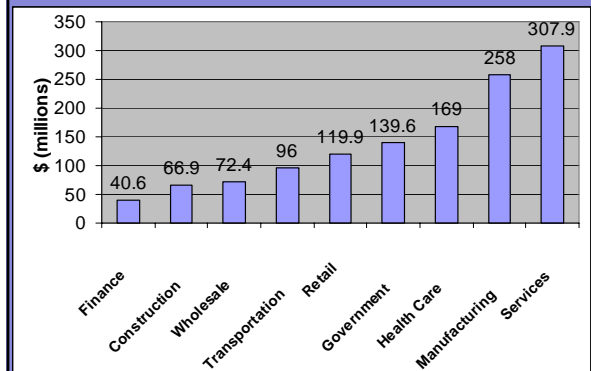
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### Boyd County Economy



Note: Mining & Agriculture data not available

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## Health Care Sector Represents:

- ~62.8% of **Greenup's** service sector
- ~54.9% of **Boyd's** service sector
- However, these estimates do not include the full economic impact of the health care sector...

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## Health Care & Local Economic Development

- **Export Sales**
  - sell to customers or businesses from **outside** the community
  - External dollars allow a community to purchase a wider variety of goods & services
  - Example:
    - Attracting patients from other counties
- **Retain Local Income**
  - Provide goods and services locally for consumers and businesses
  - Keep local health dollars at home

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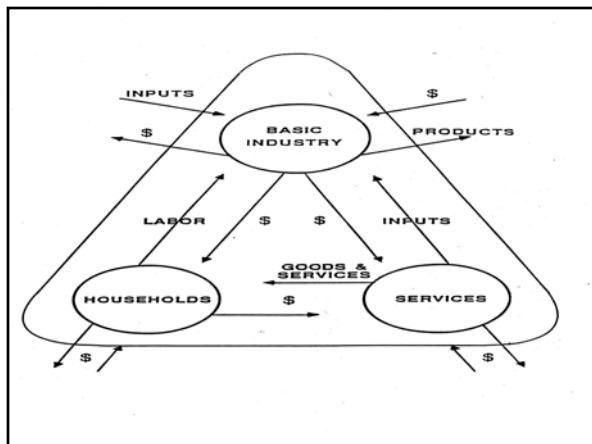
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## 5 Roles of Health Care in Economic Development

1. Attracts external dollars
2. Hospital and health care employees are purchasers of local goods and services
3. Identifies & addresses supply-demand gaps
4. A factor to business recruitment & retention
5. Promotes a healthy and productive workforce

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## Economic Impact Analysis

- Measures the current and future role of health care in the local economy
- Put numbers to:
  - Export sales
  - Retention of local income

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## Economic Impact Analysis: A Basic Introduction

**Inflows:** export (external) dollars coming into a community

- Expands size & strength of local economy
- Example: federal and state expenditures, tourism

**Outflows:** Leakages out from the local economy

- Does not create local jobs or local income
- Example: non-local purchases of good & services such as receiving medical care in another county or urban area.

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## Economic Impact of Health Care is Dependent on Several Factors

- Local & non-local purchases
- Health care professionals are local consumers
- Hospital expenditures & hospital employee expenditures are called multiplier effects
- Multiplier represents recycling of local dollars & income

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## Multipliers

Multiplier Type	Direct	Indirect	Induced
<u>Employment</u>	Health care jobs	Health care supplier jobs	Local retail and service jobs related to health care employee spending
<u>Income</u>	Health care employee income	Health care supplier employee income	Local retail and service income related to health care employee spending
<u>Sales or Output</u>	Health care revenue	Health care supplier revenue	Local retail and service revenue related to health care employee spending

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## Multiplier Results: Greenup County Health Sector Impact on Greenup County Output (Sales)

Direct Impact of the Health Sector Output	Indirect Impact of the Health Sector Output	Induced Impact of the Health Sector Output	Output Multiplier	Total Impact of the Health Sector Output
\$54,660,824	\$ 5,136,032	\$ 9,844,981	1.27	\$69,641,838

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**Multiplier Results:  
Greenup County Health Sector Impact  
on Greenup County Labor Income**

Direct Impact of the Health Sector Income	Indirect Impact of the Health Sector Income	Induced Impact of the Health Sector Income	Income Multiplier	Total Impact of the Health Sector Income
\$29,344,218	\$ 1,625,286	\$ 3,300,807	1.17	\$34,270,312

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**Multiplier Results:  
Greenup County Health Sector Impact  
on Greenup County Employment**

Direct Impact of the Health Sector Employment	Indirect Impact of the Health Sector Employment	Induced Impact of the Health Sector Employment	Employment Multiplier	Total Impact of the Health Sector Employment
984 Jobs	63.4 Jobs	146.3 Jobs	1.21	1,193.7 Jobs

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**Multiplier Results:  
Boyd County Health Sector Impact on  
Boyd County Output (Sales)**

Direct Impact of the Health Sector Output	Indirect Impact of the Health Sector Output	Induced Impact of the Health Sector Output	Output Multiplier	Total Impact of the Health Sector Output
\$313,107,680	\$38,522,806	\$80,691,214	1.38	\$432,321,707

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**Multiplier Results:  
Boyd County Health Sector Impact on  
Boyd County Labor Income**

Direct Impact of the Health Sector Income	Indirect Impact of the Health Sector Income	Induced Impact of the Health Sector Income	Income Multiplier	Total Impact of the Health Sector Income
\$191,139,184	\$15,587,125	\$30,435,430	1.24	\$237,161,735

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**Multiplier Results:  
Boyd County Health Sector Impact on  
Boyd County Employment**

Direct Impact of the Health Sector Employment	Indirect Impact of the Health Sector Employment	Induced Impact of the Health Sector Employment	Employment Multiplier	Total Impact of the Health Sector Employment
3,738 Jobs	485.8 Jobs	1,225 Jobs	1.46	5,448.8 Jobs

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**Summary:  
The Health Care Sector Represents**

- ~ 10% of jobs in **Greenup** County
- ~ 16.5% of jobs in **Boyd** County
- ~ 10.6% of personal income in **Greenup** County
- ~ 24% of personal income in **Boyd** County
- ~ 9% of **Greenup & Boyd** Counties' private economic activity

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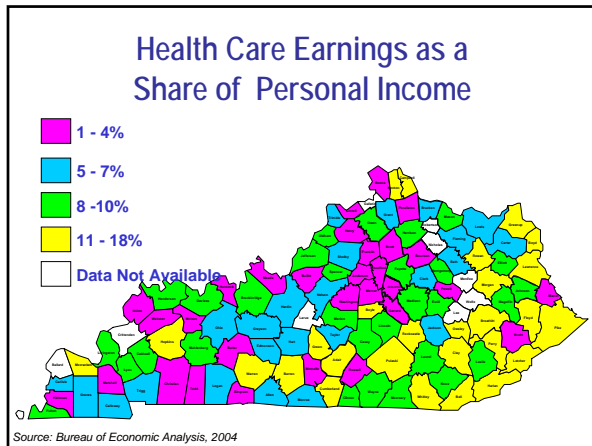
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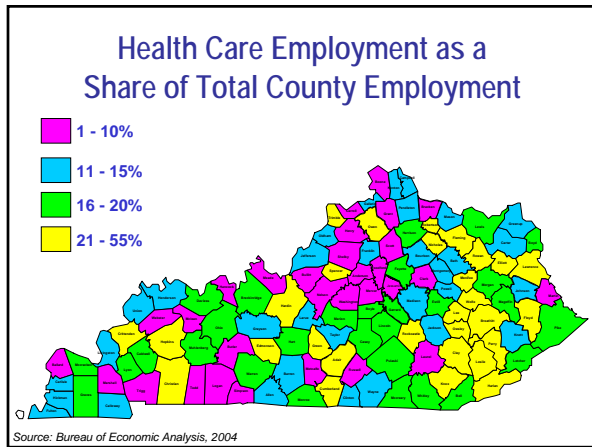
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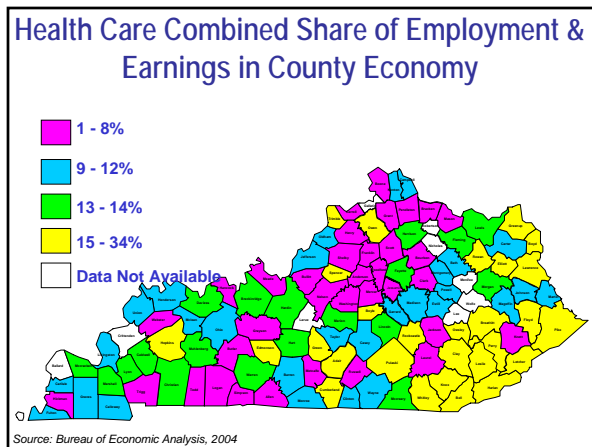
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**Next Steps....**  
 Promote enhanced economic development role for health care

Connect Health Care Providers with Economic Development & Chamber of Commerce Officials by:

- Forming a Leadership Task Force under Chamber of Commerce
- Undertaking a Business Retention and Expansion Program to assess needs & challenges for health care providers in your county
  - Volunteer visitors would interview 30 health care businesses in your county

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**Discussion**

- Health care industry compares favorably with other industries
  - This economic impact is likely to grow larger over the coming decade
- What is the community vision for local economy?
- Given that vision, what is the role of community health services?
- How to achieve that role?

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**For More Information Contact**

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**For More Information**

**Kentucky Rural Health Works**  
[www.ca.uky.edu/KRHW](http://www.ca.uky.edu/KRHW)

**UK Community & Economic Development**  
[www.ca.uky.edu/CED/index.html](http://www.ca.uky.edu/CED/index.html)

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