

The Economic Impact of the Health Care Sector In Trego County, Kansas

The organization and delivery of health care services have undergone rapid evolution in recent years. For many Americans, the cost of services and access to care are important issues. This certainly is true in many rural areas where communities have struggled to maintain affordable, quality health care systems.

The purpose of this project is to provide information resources that may be used to communicate to community leaders and concerned citizens the relative importance of health care to the local economy.

In an effort to generate useful information resources for community and health care leaders, the Trego County-Lemke Memorial Hospital has partnered with the Kansas Rural Health Options Project (KRHOP) and K-State Research and Extension, to develop this report as a component of the *Kansas Rural Health Works* program. KRHOP is a partnership of the Office of Local and Rural Health at the Kansas Department of Health and Environment, the Kansas Hospital Association, the Kansas Board of Emergency Medical Services and the Kansas Medical Society. KRHOP is dedicated to assuring quality health care delivery in rural Kansas through the promotion of collaborative systems of care.

Health Services and Rural Development

Though the connections between health care services and rural development are often overlooked, at least three primary areas of commonality exist. A strong health care system can help attract and maintain business and industry growth, attract and retain retirees, and also create jobs in the local area.

Studies have found that quality of life factors play a dramatic role in business and industry location decisions. Health care services represent some of the most significant quality of life factors for at least three reasons. First, good health and education services are imperative to industrial and business leaders as they select a community for location. Secondly, when a business or industry makes a location decision, it wants to ensure that the local labor force will be productive, and a key productivity factor is good health. The third factor that business and industry consider in location decisions is cost of health care services.

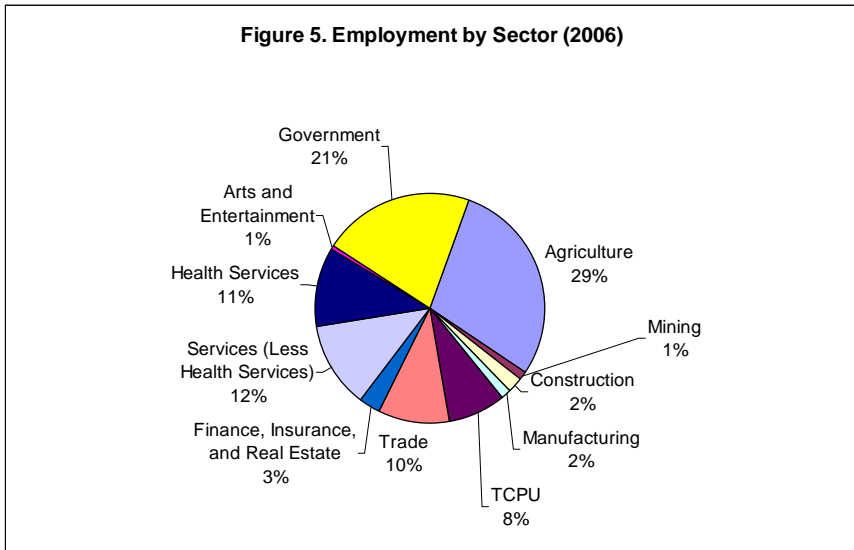
A strong and convenient health care system is important to retirees, a special group of residents whose spending and purchasing can provide a significant source of income for the local economy. Several studies suggest health services may be a critical variable that influences the location decision of retirees.

In 1980, a person spent an average of \$2,253 (2002\$) on health care expenditures. By 2003, health care expenditures rose to \$5,491 (2002\$) per person. Given trends toward increasing longevity and the aging of the 'Baby Boom Generation,' growth in the health care sector should continue.

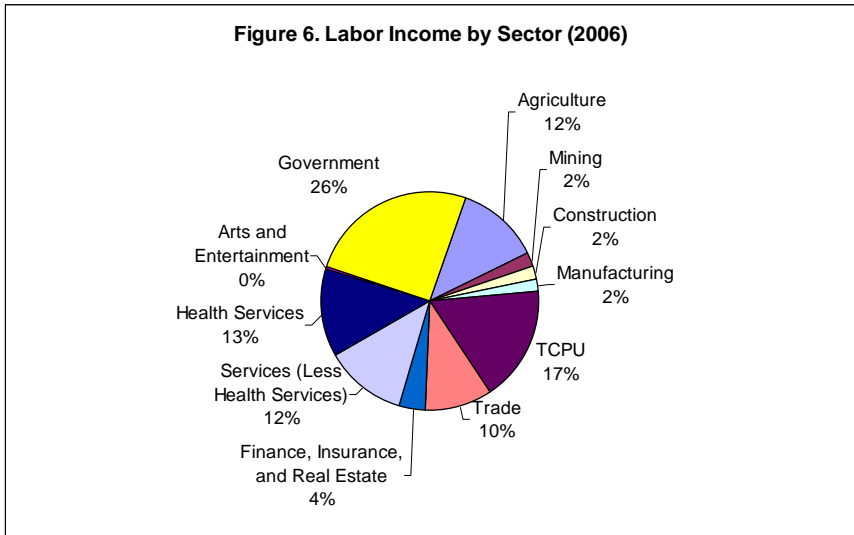
Health Services and Job Growth

Job creation represents an important goal for most rural economic development programs. National employment in health care services increased by 47 percent from 1990 to 2004, and by approximately 128 percent since 1980. In rural areas, employment in health-related services often accounts for 10 to 15 percent of total employment.

Typically, rural community residents pay little attention to their local health care system until it is needed. Consequently, many rural people have little idea of the overall importance of the health care sector to their community's economy, such as the number of jobs it currently provides and the potential to provide more jobs. The health sector provided 11.0 percent of the employment in Trego County. Health care is the county's number 4 employer, number 3 payer of wages and number 6 provider of total income.



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Health Sector Impact

The full impact of the health sector goes beyond the number of people employed and the wages they receive. The employment and income levels in the health sector have a significant impact on employment and income throughout other industries in the market area. This secondary impact or “ripple effect” comes from local businesses buying and selling to each other and from area workers spending their income for household goods and services; the ripple effect spreads the economic impact of the health sector throughout the community economy.

The employment and income levels in the health sector have a significant impact on employment and income throughout other industries in Trego County, as demonstrated with the economic multiplier. An economic multiplier captures all the direct and indirect “ripple effects” of local businesses buying and selling to one another and county workers spending their income for household goods and services. The ripple effect associated with business activity tends to spread the economic impact widely throughout the economy. The following tables estimate total impact of the health sector on the county.

Table 6. Health Sector Impact on Employment, 2006

Health Sectors	Direct Employment	Economic Multiplier	Total Impact
Health and Personal Care Stores	22	1.33	29
Veterinary Services	7	1.33	9
Home Health Care Services	0	0.00	0
Doctors and Dentists	13	1.30	17
Other Ambulatory Health Care	0	0.00	0
Hospitals	158	1.24	196
Nursing and Residential Care Facilities	10	1.32	13
Total	210		264

Note: Most data obtained from secondary sources; some data unavailable or extrapolated.

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In 2003, the county’s health sector accounted for an estimated 210 jobs. After counting all of the direct and indirect linkages of health care sectors to the remainder of the county’s economy, the total employment impact of the health sector was an estimated 264 jobs for the county.

Table 7. Health Sector Impact on Income and Retail Sales, 2006 (\$thousands)

Health Sectors	Direct Income	Economic Multiplier	Total Impact	Retail Sales	County Sales Tax Collection
Health and Personal Care Stores	\$1,092	1.27	\$1,383.04	\$802.21	\$4.01
Veterinary Services	\$438	1.14	\$500.72	\$290.44	\$1.45
Home Health Care Services	\$0	0.00	\$0.00	\$0.00	\$0.00
Doctors and Dentists	\$258	1.51	\$390.36	\$226.42	\$1.13
Other Ambulatory Health Care	\$0	0.00	\$0.00	\$0.00	\$0.00
Hospitals	\$5,671	1.20	\$6,813.45	\$3,952.04	\$19.76
Nursing/Residential Care Facilities	\$221	1.41	\$311.99	\$180.96	\$0.90
Total	\$7,680		\$9,399.56	\$5,452.07	\$27.26

Note: Most data obtained from secondary sources; some data unavailable or extrapolated.

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Total payroll for these 210 health care positions was estimated to be \$7,680,000. After counting all of the direct and indirect linkages of health care sectors to the remainder of the county's economy, health sector income resulted in a total county income impact of \$9,399,560.

By taking all of the household income associated with the total health sector impact and multiplying it by an estimate of the retail sales captured in the county, we can estimate impacts to local retail sales and sales tax collections. The total retail sales generated from the health sector in 2006 was the estimated to be \$5,452,070.

Conclusions

A vigorous and sustainable health care system is essential not only for the health and welfare of community residents, but to enhance economic opportunity as well. If a community wants to maintain the benefits associated with accessible and affordable health care, it must actively work to meet these challenges. The challenges cannot be met by those directly responsible for health care administration alone. They require a community-wide response involving government, business and civic leaders, and they frequently incorporate outside assistance from professional resources providers. In meeting current and future challenges, health care and community leaders can engage in an ongoing process of strategic health planning. This is continuous effort to maintain and enhance the community's health care situation. The strategic health planning process helps local communities identify their health care needs; examine the social, economic, and political realities affecting the local delivery of health care; determine what is wanted and what realistically can be achieved to meet their identified health care needs; and develop and mobilize an action plan based on their analysis and planning.