



WHAT'S AT STAKE

ARKANSAS HOSPITALS' IMPACT ON THE ECONOMY AND OUR COMMUNITIES

7/17/2012





Arkansas Hospitals

The Impact on the Economy and the Community

Introduction

Arkansas Hospitals provide quality healthcare services to communities in every part of the state. They stand ready to care for all who walk through their doors 24 hours a day, seven days a week, 365 days a year. Beyond their role as a linchpin connecting every facet of the local healthcare system, our hospitals strengthen the infrastructures of communities from border to border of Arkansas and give residents a peace of mind knowing that they can rely on their local hospitals and healthcare systems to:

- bring life into the world;
- readily respond with care for us, our children and parents throughout our lifetimes, whenever illness or injury strikes;
- provide comfort at the end of life;
- serve as a community safe harbor during and after emergencies or disasters;
- educate people about managing diseases as well as the importance of good health and healthy lifestyles; and
- attract the new healthcare services, business and industry to our communities – resources which are essential to future growth.

Every year, our hospitals serve thousands of individuals and keep communities healthy, strong, and vibrant. This record of service is, and always will be, their most valuable contribution to the communities they serve.

But, there is more. Hospitals are sources of civic pride and play a central role in the composition of a community's spirit and soul. They are anchor institutions which exercise extraordinary influence on a community's economic well-being. In rural areas, such clout may often be limited to the local schools, churches and the hospital. In many places, the schools and the hospital have surpassed traditional manufacturing as their county's leading employers.

While providing the healthcare services which allow people in their areas to be productive citizens, there is another reason, less often recognized, why local hospitals are a valued asset in any community – their economic impact.

As shown on the following summary, those contributions to the local and state economy, totaling \$10.3 billion, can be measured by the people they employ and the impact of their spending. In that regard, **Arkansas Hospitals** are critical to the economic viability of our state and communities.

Arkansas Hospitals

Direct and Indirect Impact on Our Community

JOBS	75,000
ECONOMIC IMPACT	
Payroll	\$4,922,838,000
Supply Purchases	\$4,923,050,000
Capital Spending	\$458,763,000
Total Economic Benefit	\$10,304,651,000

This report, prepared by the the Arkansas Hospital Association, highlights the significant role **Arkansas Hospitals** play within **our communities**. It identifies the direct involvement of our hospitals on the local economy and demonstrates the “ripple” effect of the dollars the healthcare sector brings into the community and the jobs it helps create (see the technical addendum to this report). In addition, it illustrates the benefit the hospitals provide for a safe, stable, and healthy community.

AN ECONOMIC DRIVER FOR LOCAL GROWTH

In addition to enhancing the health and wellbeing of the communities they serve, **Arkansas Hospitals** also contribute significantly to the area’s economic health. In 2010, the estimated total annual economic impact was **\$10,304,651,000**.

Providing Well-Paying, Consistent Employment

- **Arkansas Hospitals** directly employ more than **42,300** healthcare professionals and others in communities throughout the state, with a total payroll of **\$2.7 billion**.
- Those payrolls serve as an important economic stimulus, indirectly supporting another **32,700 jobs** – and more earnings of approximately **\$2.25 billion** – through hospital employees’ personal purchases of groceries, clothing, cars, appliances, houses and many other goods and services.
- The combined payroll effect is **\$4,922,838,000** in economic activity for the economy.

Stimulating the Local Economy with Purchases of Goods and Services

- **Arkansas Hospitals** spend about **\$2.67 billion** per year on the goods and services needed to provide healthcare services — 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.
- Vendors who receive payments from **Arkansas Hospitals** **turn around and buy their own operational needs** generating another **\$2.25 billion impact** for the local economy.
- That impact totals **\$4,923,050,000**.
- The state also benefits from income taxes paid by all affected employees.

Improving Infrastructure for All Arkansas Residents

- In 2010, **Arkansas Hospitals** recorded **\$249,273,000** in spending related to buildings and equipment.
- Capital spending by **Arkansas Hospitals** generates approximately **\$458,763,000** for the local economy per year.

PROVIDING A “ZONE OF SAFETY”

Communities can take comfort in knowing that their local hospital is prepared for the unexpected. They understand that situations may arise at any time when they will need to do more than provide medical care to the community. Our hospitals are known as a place of refuge in times of disaster and distress. In addition to providing emergency care to the injured, and often serving as a morgue for the deceased, hospitals provide clothing, shelter, power, food, and needed medicine for families.

Arkansas hospitals have been called upon numerous times to assist their local communities, other towns and cities, and even adjoining states, when disaster strikes. It can be related to frequent tornadoes, which are common to our state; devastating ice storms that affected all of our northern counties; floods; power outages; flu outbreaks; fires; and even hurricanes.

Since 2001, Arkansas hospitals have been working together to prepare for disasters, both natural and non-natural. They have sought and received federal preparedness grant funds to purchase equipment, training, pharmaceutical stockpiles, supplies and new communications technology to prepare for those disasters. That training and equipment has come in handy time and time again for disasters in our state and by helping other states with disastrous situations.

Never was there more evidence of the training and preparedness efforts by Arkansas community hospitals than in 2005 when our hospitals received and cared for approximately 300 Louisiana patients and family members, and served tens of thousands of non-emergency patients sheltered all over the state in the wake of Hurricane Katrina; in 2008, when our communities endured a massive tornado that destroyed one hospital and damaged others, spring floods that destroyed property and many lives, and in August, our state provided care and shelter for 224 patients from Louisiana in advance of Hurricanes Gustav and Ike; and once again in 2009 when our state faced devastating winter ice storms and weeks-long power outages affecting approximately one-fourth of our counties and many hospitals and communities.

In the first decade of the twenty-first century, about 622 tornadoes in Arkansas killed thirty-nine people, injured approximately 540, and caused more than \$650 million in damage. Notable tornadoes during this period include a historic February 5, 2008, strike in which an EF-4 tornado tore a 123-mile-long path through seven counties in north-central Arkansas, killing twelve, injuring at least 140, and damaging or destroying 880 homes and 100 businesses. Hospitals in and around Van Buren County and Pope County, where some of the most severe damage was reported, immediately responded.

The same is true of hospitals in Baxter, Franklin, Faulkner and Johnson Counties where other tornadoes wrecked communities in 2002, 2005, 2008 and 2011, when major tornado outbreaks occurred.

Our hospitals and employees are called on again and again to assist their communities in times of disaster. These dedicated employees – from kitchen staff to administrators, doctors to maintenance workers, housekeepers to nurses and every position in between – left their own loved ones and homes in order to give their time, energy, smiles, and compassionate care in abundance, both to patients and to community citizens seeking refuge from devastation.

BEING A GOOD NEIGHBOR

Arkansas Hospitals have a positive impact on their communities that often go overlooked.

Identifying Unmet Community Needs: Hospitals are becoming more involved in conducting community needs assessments by engaging local residents in an assessment of health needs and/or an assessment of the hospital's plans to address these needs. They perform assessments as part of their on-going hospital planning and community outreach strategy. Some rely on more informal processes that relied on the involvement of hospital staff in the community to identify local needs while others adopt a formal process, analyzing primary and secondary data and involving a range of community stakeholders through a process of information gathering and action planning.

Addressing Unmet Community Needs: They undertake a wide range of activities to confront unmet needs including the development of specialty services, preventive care, chronic care and disease management, and community health improvement services and programs.

Prevention and Health Promotion: Across Arkansas, hospitals have focused on expanding preventive, health promotion, disease management, and other community outreach services and programs. Because funding for many of these activities often is limited to state or local grants, hospitals developing such programs do so largely as a community service activity. Typical services include dental care to low income families and individuals, regular wellness check-ups, immunizations, eye exams and prenatal care. In addition, hospitals frequently sponsor exercise programs, nutrition, health education, diabetes, stroke, and heart rehabilitation. While most programs serve the general community, some are targeted to specific populations, such as persons with chronic illness.

CARING FOR OUR COMMUNITIES

Arkansas Hospitals provide vital healthcare services to our communities, providing a peace of mind to people who live there that they can depend on their hospital whenever the need occurs. **Key indicators include:**

- 97 Hospitals of all types are members of the Arkansas Hospital Association and serve Arkansans living in cities, towns and communities located in 53 counties across the state. They include 73 general acute care community hospitals (including 29 Critical Access Hospitals), nine long term acute care hospitals, eight psychiatric hospitals, seven rehabilitation hospitals, three hospitals that specialize in certain types of surgical procedures, two Veterans Affairs hospitals, as well as a pediatric hospital, a cardiac hospital and a women's hospital.
- 46 Arkansas counties are served by a single hospital.
- 44 Arkansas community hospitals have fewer than 100 beds. Twenty-nine of them are designated by the federal government as Critical Access Hospitals, having no more than 25 acute care beds.
- 13 Hospitals and health systems are counted among Arkansas' top 70 employers (about 19%). Hospitals are among the top 10 employers in 42 of the 53 counties having a hospital, and rank among the top five employers in 32 of those areas. They are *the* major employer in 20 counties, most of which are small and rural with little to cheer about on the economic front except their hospital.

54%	Of AHA member hospitals are charitable, not-for-profit organizations, while 36% of the hospitals are owned and operated by private, for-profit companies, and 10% are public hospitals owned and operated by a city, county, state or federal government.
14,744	Arkansans sought inpatient, outpatient or emergency care from Arkansas' hospitals each day in 2010 for illnesses, injuries and other conditions requiring medical attention.
36,913	Newborns were delivered in Arkansas hospitals in 2010. The Arkansas Medicaid program covered more than 65% of those births.
\$188 Million	The amount Arkansas hospitals spent in 2010 providing care for patients without health insurance coverage.

CONCLUSION

Hospitals are a key ingredient to **Arkansas's** quality of life and to keeping communities healthy and vibrant. **Arkansas Hospitals** are also a major contributor to both the local and state economies and to keeping families healthy and secure by providing needed healthcare services.

The data and information contained in this report provide strong evidence that the economic benefit of our hospitals on the local and state economies is significant. To continue to attract jobs and maintain families in **Arkansas**, it is critical that the state have high quality healthcare providers and services.

We urge our legislators, members of Congress, and community leaders to recognize that our hospital is instrumental to supporting the state and local economy and steps need to be taken to continue to invest in our state's healthcare system.

Technical Addendum for 2012 Hospital Economic and Community Benefit Report

The Arkansas Hospital Association (AHA) 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). The spending of any economic sector will have several rounds of "ripple" effects throughout the local economy. This is known as the multiplier effect.

Regional Multipliers

RIMS II regional multipliers measure both the direct and indirect impacts on the regional economy from a specific sector. RIMS II includes multipliers for hospital output and employment. AHA used these multipliers to estimate the impact of a hospital on its state and local economy and job creation.

BEA produces two types of multipliers: final demand multipliers and direct effect multipliers. The choice of multiplier for estimating an impact 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 on earnings and employment reflect the national relationship.

After consultation with staff from BEA, AHA used the final demand multipliers for output (total economic impact), and used the direct effect multipliers for employment to ascertain job creation.

Economic Regions

Multipliers are available by region and by state. 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.

To determine the economic impact for the state as a whole, statewide multipliers are applied to hospital data to capture the impact of inter-regional commerce.

The multipliers used in this study reflect only impacts on the entire state and exclude the ripple effect on areas outside of Arkansas.

Hospital Data

To arrive at its impact estimates, AHA applied the multipliers to 2010 or 2011 Medicare Cost Report (MCR) data for hospital total expenditures and jobs. If 2010 or 2011 MCR data were unavailable, the most recent MCR data available were used. These data include hospital-based nursing home, home care, and other services where applicable.