

THE ECONOMIC IMPACT OF BEACON MEDICAL GROUP

A Report

QUANTECH Research Associates

**Paul S. Kochanowski, D.B.A.
John E. Peck, Ph.D.**

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The Economic Impact of Physicians Associated With Memorial and Elkhart General Hospitals

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Introduction

Two previous 2014 *Quantech* Research Associates reports, *The Economic Impact of the Physician Sector St. Joseph County, Indiana* and *The Economic Impact of the Physician Sector Elkhart County, Indiana* provide estimates of the economic impacts of each county's physician sector by considering the effects of hypothetically losing all of that county's practicing physicians. In the absence of physicians in a county, residents would be forced to travel outside the county for various medical services. The presence of a physician sector thus retains expenditures locally that would otherwise leave the county. Estimates of the economic impacts of these saved expenditures reveal that the physician sector adds \$274.3 million of income and 4,434 full-time jobs to St. Joseph County and \$125.9 million and 2,012 full-time jobs to the Elkhart economy.

This report considers the economic impacts of a subset of a county's physicians, namely those physicians associated with Memorial Hospital and Elkhart General Hospital. The methodology employed in these estimates differs by necessity from that described above for an entire county's physician sector. Most of the physicians associated with either Memorial or Elkhart General practice in specialties containing many other physicians in the same county. Thus, if these physicians were not associated with these hospitals, patients would most likely avail themselves of other doctors in the same county. Such a movement between physicians in the same county represents a redistribution of county expenditures and consequently, does not influence the level of a county's income or full-time employment. Nevertheless, these physicians associated with Memorial and Elkhart General through attracting patients from outside the counties where these hospital are located enlarge their county's income and full-time employment.

Methodology

Table 1 contains the basic data used to estimate the economic impacts of the physicians identified with Memorial Hospital and Elkhart General hospitals. The method employed starts with determining the physicians directly associated with Memorial and Elkhart General. Mean compensation figures, per specialty, were then taken from the 2014 Medical Group Management Association (MGMA) survey of physician compensations (2013 data) were applied, extended, and totaled for each hospital. Twenty-five percent of the total was then added to cover the income of office staff (nurses, receptionists, etc.) in physician offices. These numbers then provide the basis for calculating, outside revenues, direct income and direct employment.¹ As the physician sector acquired and distributed this income, a complementary income (1.41) and employment (1.72) *multiplier effect* took place.² That is, a portion of the practices' and staffs' income was used to purchase supplies and to make personal consumption expenditures in a second round of local spending. These expenditures generated still more income for other producers in successive additional but declining rounds of local spending. (In each round of spending, some dollars left the area for outside purchases. The income and job multipliers employed in this study take into account the extent to which income earned leaked out of the county).³

Table 1: Economic Impact Information on Identified Physicians						
				Memorial Hospital		Elkhart General Hospital
Identified Physicians				161		57
Number of Specialties				24		12
Revenue of Physicians				\$ 38,876,070		\$ 18,274,080
Staff				\$ 9,719,018		\$ 4,568,520
Total Revenue				\$ 48,595,088		\$ 22,842,601
Percentage of Outside Revenue				36		21
Revenue from Outside Patients				\$ 17,494,232		\$ 4,796,946

Findings

Table 2 includes a summary of the economic impacts on St. Joseph and Elkhart Counties of physicians associated with Memorial Hospital and Elkhart General Hospital. Again, these are dollars of income and jobs in both the physician sector and throughout the total broader local economies *that would not exist except for these physicians attracting new patients from outside the counties where these hospitals are located*. Virtually every business and household in the community would be affected by this new income and employment.

Table 2: Summary of Economic Impacts					
				St. Joseph County	Elkhart County
Direct Labor Income				\$ 11,143,826	\$ 3,084,436
Labor income multiplier				1.41	1.24
Total Labor Income				\$ 15,712,794	\$ 3,824,701
Direct Employment				148	40
Employment Multiplier				1.72	1.53
Total employment				254	61

ENDNOTES

¹ Labor income is compensation, i.e. the direct effect, of each dollar of revenue --- in this case, 63.8 cents. (See also endnote 3).

² Estimates of income and employment multipliers vary from place to place, where the size of the community, the value added (the amount of income created per employee in the sector), and the type of industry involved are important determinants of the size of the multipliers. Data associated with the income and employment multipliers exclusive to the St. Joseph County and Elkhart County physician sectors were obtained from IMPLAN Group, LLC of Huntersville, NC. For example, an income multiplier of 1.41 suggests that for each \$100 of direct income generated by the practices, an additional \$41 of indirect and induced income is produced by the multiplier effect throughout the broader local economy. Similarly, an employment multiplier of 1.72 suggests that for each 100 direct jobs created by the practices of area physicians, the multiplier effect will generate another 72 indirect and induced jobs throughout the broader local economy.

³ Once the St. Joseph County and Elkhart County physician sectors' direct impacts have been derived, as in the body of the report, it is possible to apply either revenue or labor income multipliers to compute total impacts. "Revenues" measure the value of output the sector sells to patients and others who purchase its services. Each dollar of output sold by the sector requires purchases of output from other St. Joseph or

ElkhartCounty vendors, leading to spillover revenues. “Labor income”, on the other hand, measures the compensation to employees plus proprietor’s income from a dollar of output. In the case of St. Joseph County, for illustration, each dollar of the sector’s output produces \$0.638 of direct labor income and another \$0.261 of spillover labor income. The spillover labor income results from payments to workers in St. Joseph County who produce goods and services purchased by the sector. The labor income multiplier in Table 2 is the total direct and spillover effect divided by the direct effect $(\$0.638+\$0.261)/\$0.638 = 1.41$.