

**THE ECONOMIC IMPACT OF
THE PHYSICIAN SECTOR
Elkhart County, Indiana**

A Report

QUANTECH Research Associates

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What is Economic Impact?

There are many dimensions to economic impact. Consider the case of the physicians practicing medicine in Elkhart County, Indiana – the physician sector of the local economy. First and foremost, of course, is recognition that a viable economy is synonymous with one served well in terms of health care – a factor known to affect not only the capability of workers and consumers, but also affecting location decisions of both businesses and households. In this regard, the physician sector is obviously of vital importance to the Elkhart County economy. Further, these practices provide stable jobs and incomes to some 1,730 employees residing in the county, they help support hundreds of local supplier firms, and they provide millions of dollars worth of charity care. In addition, since the Elkhart community is a *regional* health care provider, Elkhart County experiences a large flow of income from surrounding counties as residents of these outlying areas obtain medical services there.

Yet another way of assessing the value of the physician sector is to consider the effect of hypothetically losing all Elkhart County practicing physicians -- as if the area lost a major economic player like Miles Laboratories when it left the area in 1992. In such a case, one would question what the loss would be to the local economy if all local physicians chose to leave the area, and Elkhart County citizens needing doctors' care were obliged to travel to outlying communities for these services? While still recognizing the large economic impact of the presence of the area's some 380 practicing physicians, the emphasis in the pages of this report is directed toward calculating a portion of the economic loss that would occur if the local physician sector was no longer there.

Methodology.

In order to estimate the economic impact of the physician sector, the following calculations, as summarized in the page 3 Findings, were made:

- A listing of 381 Elkhart County physicians representing some 32 medical specialties was obtained.
- Mean compensation figures, per specialty, taken from the 2014 Medical Group Management Association (MGMA) survey of physician compensations (2013 data) were applied, extended, and totaled. This figure (\$126,312,277) represents an estimate of total physician compensation in the county for the year 2013.
- Twenty-five percent of the total (\$31,578,069) was then added to cover the income of office staff (nurses, receptionists, etc.) in physician offices, thereby providing total direct revenue of \$157,890,346.
- An infusion of income in this amount is consistent with the creation of 1,315 direct jobs.
- Given the determination of direct revenue impact, a measure of labor income (\$101,520,335) was then derived.¹
- As the physician sector acquired and distributed this income, a complementary labor income (1.24) and employment (1.53) *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).
- By the time the effect had run its course, the original dollars and resulting job increases had expanded by a multiple that was spread throughout the

overall local economy to a total of **\$125,885,215** in labor income and **2,012** jobs.

Findings.

Table 1 contains a summary of income and jobs that would have been lost throughout the local economy in the hypothetical absence of a physician sector in 2013.

Table 1
Summary of Economic Impact
Elkhart County Physician Sector

Total Direct Impact	\$157,890,346
Labor Income	\$101,520,335
Times: 1.24 Labor Income Multiplier ³	\$125,885,215
Total Direct Jobs	1,315
Times: 1.53 Employment Multiplier	2,012

Again, these are dollars of income and jobs in both the physician sector and throughout the total broader local economy *that would not otherwise exist in the absence of Elkhart County’s physician sector*. Virtually every business and household in the community would be affected by the loss. Such performance exceeds the economic impact of the vast majority of businesses and government entities housed in Elkhart County.

It can be concluded that, as would be expected, the practicing physicians of Elkhart County are a major contributor to the economic well-being of the community in a number of ways – not the least of which is the large infusion of income and jobs into all corners of the local economy that are enumerated in the findings of this study.

ENDNOTES

¹ Labor income is compensation, i.e. the direct effect, of each dollar of revenue --- in this case, 64.3 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 Elkhart County physician sector were obtained from IMPLAN Group, LLC of Huntersville, NC. An income multiplier of 1.24 suggests that for each \$100 of direct income generated by the practices, an additional \$24 of indirect and induced income is produced by the multiplier effect throughout the broader local economy. Similarly, an employment multiplier of 1.53 suggests that for each 100 direct jobs created by the practices of area physicians, the multiplier effect will generate another 53 indirect and induced jobs throughout the broader local economy.

³ Once the Elkhart County physician sector's direct impact has been derived, as in the body of the report, it is possible to apply either revenue or labor income multipliers to compute total impact. "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 Elkhart County 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. Each dollar of the sector's output produces \$0.643 of direct labor income and another \$0.153 of spillover labor income. The spillover labor income results from payments to workers in Elkhart County who produce goods and services purchased by the sector. The labor income multiplier in Table 1 is the total direct and spillover effect divided by the direct effect ($\$0.643 + \$0.153 / \$0.643 = 1.24$).