

GHA ANNUAL ECONOMIC IMPACT REPORT



Over 143,000 Employed at Georgia Hospitals

Over \$47.8 Billion Impact on Economy



Economic Impact Report

Summary

Hospitals play a vital role in the economic activity of the communities they serve. Economic impact arises directly from the sales, wages and employment generated by business activity. It also arises indirectly through the “ripple” effect of businesses purchasing goods and services from other local businesses, and through health care workers spending wages and other income for household goods and services. These linkages tend to distribute the impact of an activity or event very broadly through the economy. Georgia hospitals are direct employers, purchasers of equipment, supplies and services, and investors in capital projects. This report summarizes the estimated economic impact of the hospital and the actual cost to the hospital of community benefits provided in the form of indigent care, charity care, bad debt expense, and other free care as reported in the 2015 Georgia Department of Community Health Hospital Financial Survey. **The enclosed Economic Impact Report shows that hospitals in Georgia provided more than \$1.7 billion in uncompensated costs to provide indigent, charity, other free care, and bad debt expense to the citizens of Georgia.** This report is a tool hospitals can use as they work with local elected officials and in their community relations efforts. Nationwide, hospital care is the largest component of the health care sector, which itself is a growing segment of the U.S. economy. In 2014, the health care sector represented 17.5% of Gross Domestic Product (GDP)—a measure of economic output—or approximately \$3 trillion. Hospitals accounted for \$963 billion of that total.

The information contained in this report is based on a study prepared by the American Hospital Association—“Beyond Health Care: The Economic Contributions of Hospitals” (updated February 2014), and updated with the most currently available Regional Input-Output Modeling System (RIMS II) economic multipliers for hospitals and nursing and residential care facilities. These RIMS II economic multipliers are developed by the Bureau of Economic Analysis, United States Department of Commerce. The economic multipliers attempt to model the resulting impact of a change in autonomous spending in one industry on the “circular flow” of spending within an economy as a whole. An increase in demand for health care services will elicit increases that support health care, as well as its ancillary industries. These multipliers have been applied to individual hospital expenditures to create a report that estimates the economic impact of individual hospitals.

Individual hospital expenditure data was obtained from the 2015 Georgia Department of Community Health Division of Health Planning Annual Hospital Financial Survey. **[Note: The 2015 data is the latest data that is currently available from the Department of Community Health.]** It should be emphasized that this report reflects the economic impact of only hospital expenditures. It does not include the impact of other services provided by a health care system, such as home health, skilled nursing facilities, affiliated clinics, physician practices, etc. The economic impact of an entire health care system can be estimated by taking the consolidated health system expenditures and multiplying it by the economic multipliers provided in the report.

The report is divided into two sections. Section I contains information about the overall economic impact of the hospital. Section II contains selected information about the Community Benefit provided by the hospital in the form of indigent care, charity care, other free care and bad debt. These numbers are reported as **actual costs** to the hospital. Actual cost is reported in order to not overstate the true level of community benefit provided. For example, to calculate the cost of indigent care provided, the amount of indigent care charges reported on the 2015 DCH Division of Health Planning Annual Hospital Financial Survey is multiplied by the hospital cost-to-charge ratio, also reported on the 2015 Division of Health Planning Annual Hospital Financial Survey. The Hospital Payroll and Benefits data was gathered from the most current available Medicare Cost Report Data for the applicable year.

While GHA reviews the reasonableness of the hospital data provided by the Division of Health Planning Hospital Financial Survey, there may be data entry errors in the attached report. If you believe there are differences in the numbers contained in your enclosed Economic Impact Report and the numbers submitted to the Division of Health Planning, please contact Bill Wylie, Senior Vice President, Business Operations at GHA to obtain a corrected Economic Impact report, (770) 249-4512 bwylie@gha.org.

An economic impact report is provided for each individual hospital, the state as a whole, the Metropolitan Statistical Area where the hospital is located, and the Congressional district where the hospital is located. Health systems also receive a consolidated report of the economic impact of all the hospitals in their system.

Georgia hospitals are a fundamental building block for the state's economy. In many communities, hospitals are one of the largest employers and most significant creators and sustainers of jobs and income. In Georgia, hospitals provide more than 143,000 full time jobs and have a total payroll that exceeds \$7.8 billion annually. The methodology for calculating the total number of Georgia hospital employees has been updated to reflect the DCH Annual Hospital Financial Survey report for budgeted Full Time Equivalents (FTEs). FTEs do not directly correlate to total employed since multiple people could fill the role of 1 FTE. Therefore, it is safe to say that hospitals provide direct employment to well over 143,000 people. In addition, hospitals often outsource the management and personnel responsibilities for significant support areas such as dietary, housekeeping, pharmacy and physician coverage. These people are still essential to operations and are employed due to the services provided by the hospital. However, since they are not on the hospital payroll, their employment isn't reflected in the total jobs reported or accounted for in the multiplier effect. Health care is a significant force that contributes to the economic stability and growth across all regions of the state. Hospitals often serve as an integral part of the overall package used to attract industry to the community. A strong health care system can help attract and maintain business and industry growth, attract and retain retirees, and create jobs in the local area. In addition, hospitals serve as the foundation which supports a wide variety of other health care services including physician practices, long-term care providers, home health agencies, rehab providers, etc.

Georgia hospitals play a key role in the economic development and growth in the State of Georgia. Therefore, it is especially important that policymakers, legislators, and business leaders clearly understand the implications of the decisions they make that impact hospitals. GHA hopes that you will find the information in this report useful as you work with local legislators, policymakers, and the community you serve. Many Georgia residents, particularly the poor and elderly in rural areas of the state, may have difficulty accessing hospital services unless elected officials understand the important role hospitals play in the local economy and make the financial stability of hospitals a budget priority.

If you have any questions about the report, please contact Bill Wylie, GHA Senior Vice President, Business Operations bwylie@gha.org, or Kevin Bloye, Vice President of Public Relations, kbloye@gha.org.

Sources:

- *AHA: Trendwatch Chartbook 2015, The Economic Contribution of Hospitals*
- *American Hospital Association: "Beyond Health Care: The Economic Contribution of Hospitals," Summer 2006, Updated February 2015*
- *RIMS-II Multipliers, Total Multipliers for Output, Earnings, Employment, and Value Added by State, Hospitals and Nursing and Residential Care Facilities, Bureau of Economic Analysis, United States Department of Commerce*
- *2015 Annual Hospital Financial Survey, Division of Health Planning, Department of Community Health*
- *Hospital Medicare Cost Report Data*
- *Georgia Hospital Association Membership Directory*

Technical Note:

GHA obtains the hospital payroll and benefits data for the Economic Impact Reports from the Medicare Cost Report database. The data for hospital and payroll benefits is taken from the following locations in the Medicare Cost Report file:

Worksheet S-3, Part II: Hospital Wage Index Information—Column 3, Line 1—Total Salaries

Worksheet A: Total Facility Costs—Column 7, Line 5—Employee Benefits—Net Expense for Allocation

If there is no data in Worksheet S-3, Part II: Column 3, Line 1—Total Salaries, we next check to see if there is any data regarding payroll in Worksheet A: Total Facility Costs—Column 1, Line 101—Salary Expense.

If there is not any data in Worksheet A, Column 1, Line 101, we enter N/A in the Economic Impact Report. If a hospital has N/A in their Economic Impact report, they can contact GHA with their payroll and benefits data and we will create a revised Economic Impact Report for them.

Data taken from the Centers for Medicare and Medicaid Services (CMS) Medicare Cost Report are as reported by the hospital. The HCRIS database is updated by CMS quarterly and changes from one quarter to another quarter are common due to cost report audits, provider appeals, reopening of cost reports, submission of revised data by providers, etc. For the Economic Impact Report, GHA uses the most current data available for a hospital at the time the Economic Impact Reports are generated.

State of Georgia

Economic Impact on the Local and State Economy
Calendar Year 2015



SECTION I: Economic Impact of Hospital

Total Direct Expenditure	\$20,764,543,047
Georgia Output Multiplier ¹	2.3007
Total Output/Income Generated	\$47,772,984,188
Hospital Payroll and Benefits	\$7,828,567,748
Georgia Earnings Multiplier ²	1.9476
Total Household Earnings Generated	\$15,246,918,546
Number of Hospital Jobs (Full Time)	143,554
Georgia Employment Multiplier ³	2.4316
Georgia Full Time Jobs Created⁴	349,067

SECTION II: Community Benefit

These numbers represent the **actual cost⁵** incurred by the hospital

Uncompensated Indigent Care Provided	\$520,958,034
Uncompensated Charity Care Provided	\$293,535,576
Uncompensated Bad Debt Incurred on Health Care Services Provided	\$709,956,882
Other Free Uncompensated Care	\$219,649,161
TOTAL:	\$1,744,099,652

1 Georgia Output Multiplier - Estimates the change in output for a given change in demand. For example, an increase in healthcare demand of \$1,000,000 increases the output of all Georgia industries by 2.3x \$1,000,000 = \$2,300,000 after all "rounds" of spending are totaled. 2 Georgia Earnings Multiplier - Increased demand for healthcare also increases demand for healthcare labor, and increases labor demand in peripheral and supporting industries, resulting in increased wages paid. 3 Georgia Employment Multiplier - Estimates of the number of all full time jobs that regional industries provide in order for the healthcare industry to provide the additional \$1,000,000 of output to final demand. 4 Georgia full-time jobs created - This number does not include the number of people directly employed by the hospital. 5 Note--these numbers are reported at cost--not reported charges. Actual cost was calculated by multiplying reported charges by the hospital cost-to-charge ratio.

Sources of Data: 2015 Georgia Department of Community Health Division of Health Planning Hospital Financial Survey; Medicare Cost Report Data; GHA Membership Directory; Beyond Health Care: The Economic Contribution of Hospitals, American Hospital Association, January 2015 update, AHA Trendwatch Chartbook 2015.

Analysis based on Regional Input-Output Modeling System (RIMS II) multipliers for hospitals NAICS Code 622, released October 2015, Bureau of Economic Analysis, U.S. Department of Commerce. Multipliers are based on the 2010 Annual Input-Output Table for the Nation and 2010 regional data.

Rural

Economic Impact on the Local and State Economy
Calendar Year 2015



SECTION I: Economic Impact of Hospital

Total Direct Expenditure	\$2,367,489,521
Georgia Output Multiplier ¹	2.3007
Total Output/Income Generated	\$5,446,883,141
Hospital Payroll and Benefits	\$1,173,549,896
Georgia Earnings Multiplier ²	1.9476
Total Household Earnings Generated	\$2,285,605,777
Number of Hospital Jobs (Full Time)	23,350
Georgia Employment Multiplier ³	2.4316
Georgia Full Time Jobs Created⁴	56,778

SECTION II: Community Benefit

These numbers represent the **actual cost⁵** incurred by the hospital

Uncompensated Indigent Care Provided	\$59,239,802
Uncompensated Charity Care Provided	\$22,337,587
Uncompensated Bad Debt Incurred on Health Care Services Provided	\$136,243,707
Other Free Uncompensated Care	\$43,510,509
TOTAL:	\$261,331,605

1 Georgia Output Multiplier - Estimates the change in output for a given change in demand. For example, an increase in healthcare demand of \$1,000,000 increases the output of all Georgia industries by $2.30 \times \$1,000,000 = \$2,300,000$ after all "rounds" of spending are totaled. 2 Georgia Earnings Multiplier - Increased demand for healthcare also increases demand for healthcare labor, and increases labor demand in peripheral and supporting industries, resulting in increased wages paid. 3 Georgia Employment Multiplier - Estimates of the number of all full time jobs that regional industries provide in order for the healthcare industry to provide the additional \$1,000,000 of output to final demand. 4 Georgia full-time jobs created - This number does not include the number of people directly employed by the hospital. 5 Note--these numbers are reported at cost--not reported charges. Actual cost was calculated by multiplying reported charges by the hospital cost-to-charge ratio.

Sources of Data: 2015 Georgia Department of Community Health Division of Health Planning Hospital Financial Survey; Medicare Cost Report Data; GHA Membership Directory; Beyond Health Care: The Economic Contribution of Hospitals, American Hospital Association, January 2015 update, AHA Trendwatch Chartbook 2015.

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