Economic and Fiscal Impacts of Kern County Hospitals

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The Hospital Council of Northern and Central California has commissioned an economic and fiscal impact analysis of hospitals operating in Kern County. In doing so, we collected and analyzed financial data from the State of California Office of Statewide Health Planning and Development (OSHPD) depository for the most recent year, 2013. The IMPLAN software uploaded with Kern County Input-Output Multipliers is utilized to measure economic and fiscal impacts of hospital spending and construction outlays on the economy of Kern County.

Economic and fiscal effects stem from the notion that each dollar spent in the economy creates new jobs and additional dollars of income and taxes, igniting three multipliers:

- **Output Multiplier** of industry X measures the requirements from all other industries to deliver a dollar change of output in industry X to the final demand.
- **Income Multiplier** measures the total change in income throughout the economy from a dollar change in the final demand initiated by industry X.
- **Employment Multiplier** measures the total change in employment due to a one-unit change in employment initiated by industry X.

Each multiplier exerts three effects:

- **Direct Effect** measures the initial change in income and employment of spending in the local economy.
- **Indirect Effect** measures the impact on local industries receiving the initial change of spending.
- **Induced Effect** measures the impact on local households as a result of re-spending of income generated by the initial change.

Using the OSHPD database for Kern County, we measured contributions of ten major hospitals: Bakersfield Memorial Hospital, Delano Regional Medical Center, Good Samaritan Hospital, HealthSouth Bakersfield Rehabilitation Hospital, Kern Medical Center, Kern Valley Healthcare District, Mercy Hospitals of Bakersfield, Ridgecrest Regional Health Care District, San Joaquin Community Hospital, and Tehachapi Valley Healthcare District.
These hospitals operate with 1,716 licensed beds at an occupancy rate of 57 percent. However, 1,686 beds are available at an occupancy rate of 58 percent. With an average length of stay of 5 days, these hospitals have provided 359,261 patient days and 71,347 discharges (both excluding nursery). A total of 341,897 patients visited emergency rooms; 336,151 patients were treated in clinics; and 47,742 received healthcare services at home. The hospitals served 153,185 referred outpatients and performed 22,469 outpatient surgeries and 15,804 inpatient surgeries.

Results of this study indicate that Kern County hospitals make sizable economic, employment, and fiscal contributions to the local economy.

Hospital spending totals $5.0 billion. This direct spending multiplies to a total output impact of $7.9 billion. The additional $2.9 billion of this impact include $1.3 billion of indirect output and $1.6 billion of induced output.

Hospital spending supports 32,296 jobs. This direct employment effect grows to 55,235 when 10,497 indirect jobs and 12,445 induced jobs are added.
Hospital spending generates $2.4 billion in labor income. This direct income effect expands to $3.3 billion when $430 million of indirect income and $480 million of induced income are added.

<table>
<thead>
<tr>
<th>Spending Income Impact</th>
<th>Direct Effect</th>
<th>Indirect Effect</th>
<th>Induced Effect</th>
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<tr>
<td>73%</td>
<td>13%</td>
<td>14%</td>
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Hospital spending produces $1.1 billion in tax revenues, including $327 million for state and local governments and $759 million for the federal government.

<table>
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<tr>
<th>Spending Tax Impact</th>
<th>State and Local Taxes</th>
<th>Federal Taxes</th>
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<tr>
<td>70%</td>
<td>30%</td>
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Hospital spending creates jobs and incomes in a wide-range of industries namely hospitals, employment services, real estate, full- and limited-services restaurants, insurance carriers, offices of physicians, individual and family services, wholesale trade, and other ambulatory healthcare services.

Hospital construction outlays total $73.4 million. This direct expenditure multiplies to a total output impact of $107.3 million. The additional $33.9 million include $17.3 million of indirect output and $16.6 million of induced output.
Hospital construction outlays pay for 325 jobs. This direct employment effect grows to 563 when 112 indirect jobs and 126 induced jobs are added.

Hospital construction outlays generate $25.3 million in labor income. This direct income effect expands to $35.8 billion when $5.4 million of indirect income and $5.1 million of induced income are added.
Hospital construction outlays produce $11.9 million in tax revenues. State and local governments collect $3.9 million and the federal government takes $8.0 million.

Hospital construction outlays create jobs in a wide-range of industries namely construction of new healthcare structures, wholesale trade, real estate, employment services, architectural, engineering, and related services, truck transportation, full- and limited-service restaurants, hospitals, and offices of physicians.

Four hospitals account for 88 percent of output and employment impacts of hospital spending. They are San Joaquin Community Hospital, Bakersfield Memorial Hospital, Mercy Hospitals of Bakersfield, and Kern Medical Center. These hospitals spend $4.4 billion and employ 28,366 workers.

Four hospitals account for 93 percent of output and employment effect of hospital construction. They are San Joaquin Community Hospital, Kern Medical Center, Bakersfield Memorial Hospital, and Tehachapi Valley Healthcare District. These hospitals invest $68.4 million employ 302 workers.