

UIMC **Economic Impact Study**

LSU HEALTH SYSTEM
HEALTH CARE SERVICES DIVISION
UNIVERSITY MEDICAL CENTER

→ EMERGENCY

→ Admissions

→ Clinics

→ Main Entrance

**→ Primary Care
Center**

2390

PREPARED BY:

**Lafayette Economic
Development Authority**

LSU

HEALTH SYSTEM

HEALTH CARE SERVICES DIVISION

UNIVERSITY MEDICAL CENTER



EXECUTIVE SUMMARY



212,080 patients received inpatient and outpatient health care services from University Medical Center in 2008



University Medical Center supplies 1,309 full-time and part-time jobs to area residents



University Medical Center provides integrated medical education to 439 nurses & allied health care professionals and 71 residents every year



Despite only receiving \$6.3 million from the Louisiana General Fund, University Medical Center has a total economic impact on output of \$255,093,228 within Acadiana



University Medical Center supports 2,533 jobs in Acadiana, 1,309 of those are directly employed by the hospital



The economic impact on earnings within Acadiana is \$98 million. The earning multiplier indicates the level of Acadiana income that is dependent on University Medical Center payroll



The value-added economic impact within Acadiana is \$146 million. For every dollar of value-added from University Medical Center and the employees an additional \$0.18 of value-added is generated in other local industries

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University Medical Center is one of the largest employers in Lafayette Parish, but most importantly, it is a state leader for integrated medical education. The hospital teaches the next generation of doctors and nurses while also serving as a vital service to the community.

In June of 2009, University Medical Center commissioned the Lafayette Economic Development Authority (LEDA) to complete a study on the hospital's regional economic impact.

University Medical Center directly impacts the community of Lafayette and even Acadiana in many ways, including:

- Improving the quality of life by delivering superior health care to over 200,000 patients every year²
- Directly providing 1,309 full and part-time jobs to area residents⁴
- Providing integrated medical education to over 500 student nurses and doctors each year, many of whom stay in Acadiana after completion of their programs and continue to serve the community.²

The purpose of this study is to identify and quantify the direct, indirect, and induced economic impacts that University Medical Center has on the Acadiana area.

This report measures the economic effect of the hospital's employment, household earnings, capital expenditures, and day-to-day operations. The impact estimates direct local spending by University Medical Center, along with localized economic multipliers, to determine its indirect and induced effects on other industries and households in the region.

In addition to the quantifiable influences, other areas are examined to show the importance of the hospital to the local community. It is essential to discuss the educational value University Medical Center brings to students in the medical field along with the increase in the quality of life for the people of Acadiana.

The data on which this analysis was provided by University Medical Center. The hospital supplied data on revenues, expenditures, staffing, and patients. LEDA then supplemented data with RIMS II multipliers to calculate the total economic impact on the region.

The multipliers, from RIMS II as developed by the US Bureau of Economic Analysis, were used to measure linkages between output, job creation, and payroll generation. The use of RIMS II Total Final-Demand multipliers in conjunction with University Medical Center's total expenditures captured the entirety of the hospital's economic impacts.

RIMS II is based on an accounting framework called an I-O table. For each industry, an I-O table shows the distribution of the inputs purchased and the outputs sold. Data sources used to derive these tables come from the Bureau of Economic Analysis. The national I-O table shows the input and output structure of nearly 500 U.S. industries, and their regional economic accounts. Regional data are used to adjust the national I-O table in order to reflect a specific region's industrial structure and trading patterns.¹

In order to use RIMS II, a study area must be defined. The Bureau of Economic Analysis supplies multipliers for a wide range of geographies. For the purpose of this study, the Regional Labor Market Area designated by the Louisiana Workforce Commission was used for the area of geographic measure. This 8-parish area, commonly called Acadiana, is comprised of Acadia, Evangeline, Iberia, Lafayette, St. Landry, St. Martin, St. Mary, and Vermilion parishes. University Medical Center patient density is greatest in these parishes.

University Medical Center expenditures were converted into fiscal year 2006 dollars in order to be compatible with RIMS II multipliers data. The conversion was done using the Consumer Price Index for all urban consumer from the Bureau of Labor Statistics. After the multipliers were applied to the converted expenditure figures, the impact was then converted back to 2008 dollars. The only figure that remains in 2006 terms is the jobs impact because jobs are not expressed in monetary terms, and thus cannot be projected forward using the Consumer Price Index.



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The economic impact of University Medical Center is generated through its expenditures and employment. The operation of the hospital requires substantial spending on staffing, equipment, utilities, and other goods and services. University Medical Center reported total expenditures of \$144.2 million for the 2008 fiscal year.⁴ The table below shows total institutional expenditures for three major categories.

EXPENDITURES

Major Category	Amount Spent	Percent of Total
Personnel Expenditures	\$67,324,503	47.2%
Capital Expenditures	\$1,539,000	1.1%
Other Operating Expenditures	\$75,314,000	51.7%
TOTAL	\$144,177,503	

NOTE: Both LSU Health Sciences Center - School of Medicine and Health Care Services Division expenditures are combined in the above figures to keep the economic impact calculations simple

The significant level of personnel expenditures can be attributed to the fact that University Medical Center is 11th largest employer in Lafayette Parish. It directly employs 1,309 people, with 86% of them classified as “full-time”.⁴ Wages and salaries comprise the largest portion of personnel expenditures, but other components such as employee benefits are also figured into the total.

During the 2008 fiscal year, \$1.5 million was spent on capital expenditures. These expenses represent all acquisitions and major repairs that had a unit cost over \$5,000. Anything less is considered an operating expense.⁵

The largest share of total expenditures actually comes from other operating expenses. Supplies, drugs, and even research, repair, and non-medical overhead expenses account for most of the operating expenditures. Purchased services for non-medical professional services are also included, along with utilities and liability insurance.

Operational expenses of University Medical Center are funded through revenues from patient care, State General Fund, research grants, and charitable donations. Hospital revenues totaled \$121.1 million for the 2008 fiscal year.² The majority of University Medical Center's revenue is patient services revenue. Nearly 93% of hospital revenues come from patient services, totaling \$112.4 million, while only 5% of revenues come from the Louisiana General Fund.² Despite the limited amount of funds from the state government, the hospital has managed to balance expenditures and revenue to create a surplus in the 2008 fiscal year.

REVENUES

	Amount Collected	Percent of Total Revenues
Uncompensated Care	\$55,412,000	45.70%
Medicaid	\$38,661,000	31.90%
Medicare	\$12,109,000	10.00%
State General Fund	\$6,328,000	5.20%
Commercial/Private Pay	\$5,002,000	4.10%
Misc. Self Generated	\$2,427,000	2.00%
Medicare Cost Reports	\$1,206,000	1.00%
TOTAL REVENUES	\$121,145,000	

University Medical Center had 206,531 patient visits during the 2008 fiscal year which were the source of almost all of the hospital's revenues. The 150-licensed bed facility had 206,531 outpatient encounters and 5,549 inpatient admissions. In fact, the hospital had patient visits from 59 of the 64 parishes in Louisiana, while admitted patients came from 44 different parishes.² The no-local-residency requirement coupled with no income thresholds makes University Medical Center accessible to many people.¹ The unique organization of the LSU Health System provides that patients from anywhere in the state can receive services from any hospital within the system. The relaxed system accounts for the large number of patients that the hospital sees every year. The accessibility of University Medical Center is what makes them able to generate large amounts of revenues.

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In addition to the direct impact, University Medical Center creates added indirect and induced economic impacts within Acadiana. The total impact of the hospital can be separated into 4 different effects: output, earnings, employment, and value-added. The economic impact of UMC is calculated by multiplying specific industry multipliers with total hospital expenditures.

- **Output Multiplier:** The output multiplier estimates the total change in local sales resulting from a \$1 increase in sales in the study area (final demand). In essence, the output multiplier is used to assess the interdependence of sectors in the local economy. For example, if the multiplier for hospitals is 2 then every \$1 spent by University Medical Center would create \$2 in economic activity in the local community. This trail of money down the supply chain is measured by the output multiplier and shows the liquidity of the hospital industry. Multiplying the total expenditures of University Medical Center by the output multiplier provides an estimate of the total increase in sales for Acadiana.

- **Earnings Multiplier:** The income multiplier measures the income University Medical Center generates, through payroll and the multiplier effect, for households employed by all industries within Acadiana. Consequently, the earning multiplier represents the amount of dollars that aggregate

households in Acadiana will gain in income based on the dollars put into the community by University Medical Center through operating expenditures.

- **Employment Multiplier:** Communities often wish to know the number of jobs that are supported as a result of an existing business. The employment multiplier produces an estimate of the total number of new jobs that Acadiana can support in all industries due to the dollars the hospital injects into the economy. The “snowballing” of dollars expended by the University Medical, in essence, stimulates job growth. The jobs multiplier are expressed in terms of jobs per million dollars of spending.

- **Value-Added Multiplier:** The value-added multiplier provides an estimate of the extra value supplemented to the local economy as a result of this economic activity of the hospital. Value added includes employee benefits, indirect business taxes, proprietary and other property income.

↑ Economic Impacts

Furthermore, each of the economic multipliers takes into account three impacts, defined below:

- **Direct Impact** - comprises the purchases by University Medical Center of local resources such as labor, goods, and services to provide health care and related services
- **Indirect Impact** - encompasses purchases of local resources made by local businesses in order to produce the goods and services purchased by the hospital, along with consequent purchases by other businesses that supply the first group of businesses
- **Induced Impact** - includes the local household spending of the earnings of employees of University Medical Center and its suppliers

EXPLANATION OF MULTIPLIERS

	Direct Impact	Indirect Impact	Induced Impact
Output Multiplier	UMC expenditures	UMC supplier expenditures	Local retail and service expenditures related to UMC employee spending
Earnings Multiplier	UMC employee income	UMC supplier employee income	Local retail and service income related to UMC employee spending
Employment Multiplier	UMC jobs	UMC supplier jobs	Local retail and service jobs related to UMC employee spending
Value-Added Multiplier	UMC returns to labor, management, and ownership	UMC supplier returns to labor, management, and ownership	Local retail and service returns to labor, management, and ownership

As discussed in the methodology section of this report, to calculate the economic impact of University Medical Center expenditures using the RIMS II multipliers, the total expenditures were converted into fiscal year 2006 dollars. If the conversion had not been done, the employment impact numbers would have been overstated in the final analysis. The Consumer Price Index data indicated a 6.8% increase in economy-wide price levels between 2006 and 2008. This difference was used to deflate the expenditures to calculate the correct employment impact.

TOTAL ECONOMIC IMPACT⁷

		Hospital Expenditures		Total Economic Impact	
		2008 Dollars	2006 Dollars	2006 Dollars	2008 Dollars
Output	Multiplier 1.7693	\$144,177,503	\$135,003,171	\$238,861,110	\$255,093,228
Earnings	0.682			\$92,072,163	\$98,329,046
Employment	18.7621			2,533	2,533
Value-Added	1.0153			\$137,068,720	\$146,383,403

Note: The deflator to convert 2008 dollars to 2006 dollars is 0.9363678. The inflator to convert 2006 dollars to 2008 dollars is 1.0679563. Source: Consumer Price Index (All Urban Consumers) from the Bureau of Labor Statistics. Multipliers are based on the 1997 Benchmark Input-Output Table for the Nation and 2006 regional data.

The results indicate that University Medical Center is an important economic driver to the Acadiana area. Hospital activity itself generates a large amount of the economic impact; however, hospital employees are also a major source of the economic impact on the local economy. These employees, turned consumers, spend large amounts of their income in local retail outlets, on housing, and on other services. These consumer expenditures, in turn, support a large number of local resident service jobs such as automobile technicians, retail clerks, and bankers.

Based on the output multiplier, University Medical Center has a total economic impact of \$255,093,228. The output multiplier indicates that for every dollar spent, University Medical Center pumps an extra \$0.77 into Acadiana. The employment multiplier demonstrates the relationship between hospital expenditures and employment creation in the study area. University Medical Center supports 2,533 jobs in Acadiana, including the 1,309 staff directly employed by the hospital.

The total impact of the earnings from the hospital are estimated to be \$98,329,046. The earning multiplier indicates the level of Acadiana income that is dependent on University Medical Center payroll. The total impact of value-added from the hospital and employees is estimated to be \$146,383,403 for Acadiana.

While University Medical Center generates hundreds of millions of dollars in Acadiana, the hospital also provides non-monetary benefits to the community. One of the most valuable assets the hospital brings to the region is training and education to more than 500 students each year. Moreover, University Medical Center provides a critical service to area residents by offering quality medical care.

University Medical Center has 439 nursing and allied health program students that range from high school to graduate level. These programs partner with 32 schools from 5 different states. The residency program support 71 students that study internal, orthopedic, family, cardiology, obstetrics and gynecology, surgery, and geriatric medicine among other specialties.²

University Medical Center is training the future doctors, nurses, and health care professionals of Acadiana. Students trained in the LSU Health System are more likely to stay and practice in Louisiana than those who train elsewhere. In fact, 54% of 85 doctors have that were graduates have remained in the Acadiana area in the past 10 years. Moreover, nearly 69% of the doctors trained here have stayed the state of Louisiana³. Some of these highly trained and skilled professionals now practice in the best private hospitals and clinics in the state.

With a projected shortage of family doctors in the U.S. expected to reach 124,400 by 2025, the LSU Health System has created the Rural Scholars Track program to help by matching medical students with rural primary-care physicians³. In return after practicing at least 5 years in that rural community, students can receive up to 4 years of tuition exemptions³. The Family Medicine program at UMC has had 24 graduates in the past 3 years, of which, 67% have established residency and practice medicine in Acadiana³.

Since 1990, 71 Family Medicine graduates have located in the following Acadiana areas²:

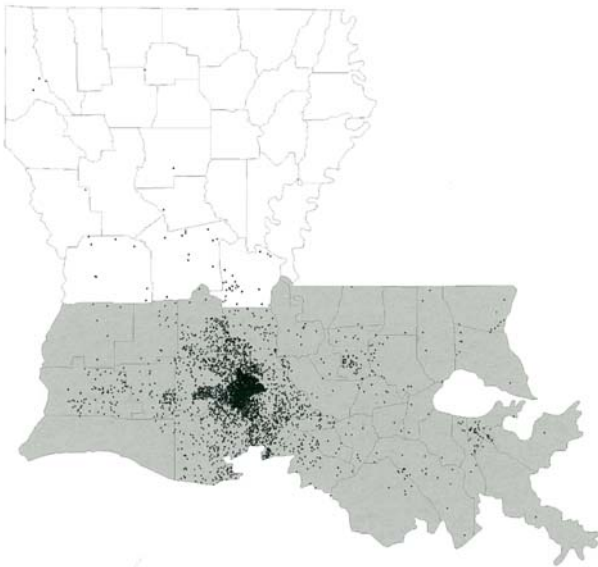
- Ville Platte
- Lafayette
- Church Point
- New Iberia
- Opelousas
- Crowley
- Carencro
- Eunice
- Breaux Bridge
- Youngsville
- Scott
- Sunset
- Grand Coteau
- St. Martinville
- Maurice
- Broussard
- Abbeville
- Melville
- Kaplan



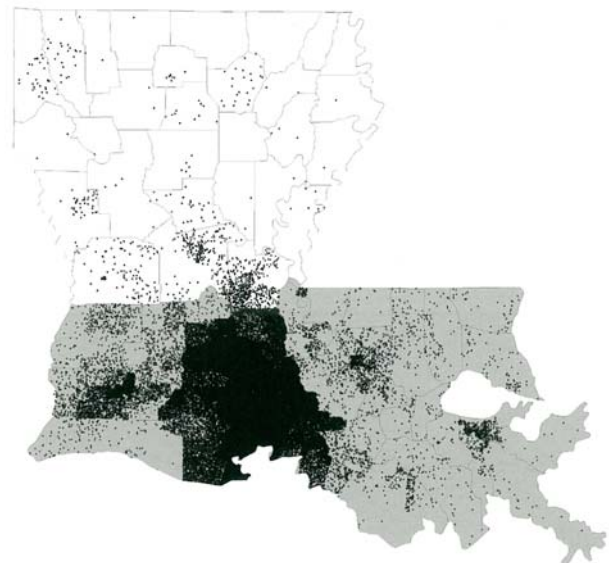
↑ Community Benefits

In addition to the highly-skilled workforce that University Medical Center provides, it also improves the quality of life of countless individuals. The hospital offers both insured and uninsured citizens around the state priceless health care so they can lead healthier lives. The unique benefit of the LSU Health System is that patients from anywhere in the state can receive services from any hospital within the system.¹ If a patient visiting family in Lafayette from Bossier needs care, they can get it from University Medical Center despite their Bossier residency. University Medical Center provides easy access to persons who may not otherwise be eligible for medical care. There are no income thresholds to prevent patients from receiving care. The accessibility of University Medical Center to patients of all income levels and local residencies makes it truly an asset to the community.

2008 FY
ADMISSIONS²



2008 FY
OUTPATIENT VISITS²



Besides the increase in quality of life and supplying well-educated health care professionals, University Medical Center operates on a relatively small amount of state funding. Hospitals in the LSU Health System receive a 70-30 federal-to-state dollar match because the state operates the Medicaid program.² The Louisiana General Fund gives a little over \$6 million to University Medical Center. The amount of money the hospital saves Louisiana taxpayers due to this dollar match is an additional benefit on top of the economic impact. Overall, University Medical Center gives Acadiana residents doctors, exceptional care, and a chance to receive basic and quality healthcare.

1. Regional Multipliers: A User Handbook for the Regional Input-Output Modeling System (RIMS II) - Third Edition - March 1997 - Bureau of Economic Analysis
2. The Value of a System: 2008 Annual Report - LSU Health System
3. University Medical Center Director of Graduate Medical Education—Kristi Anderson
4. University Medical Center—Kevin Leblanc
5. University Medical Center Fiscal Officer—Karen Gardiner
6. University Medical Center Medical Director—Dr. James Falterman, Jr.

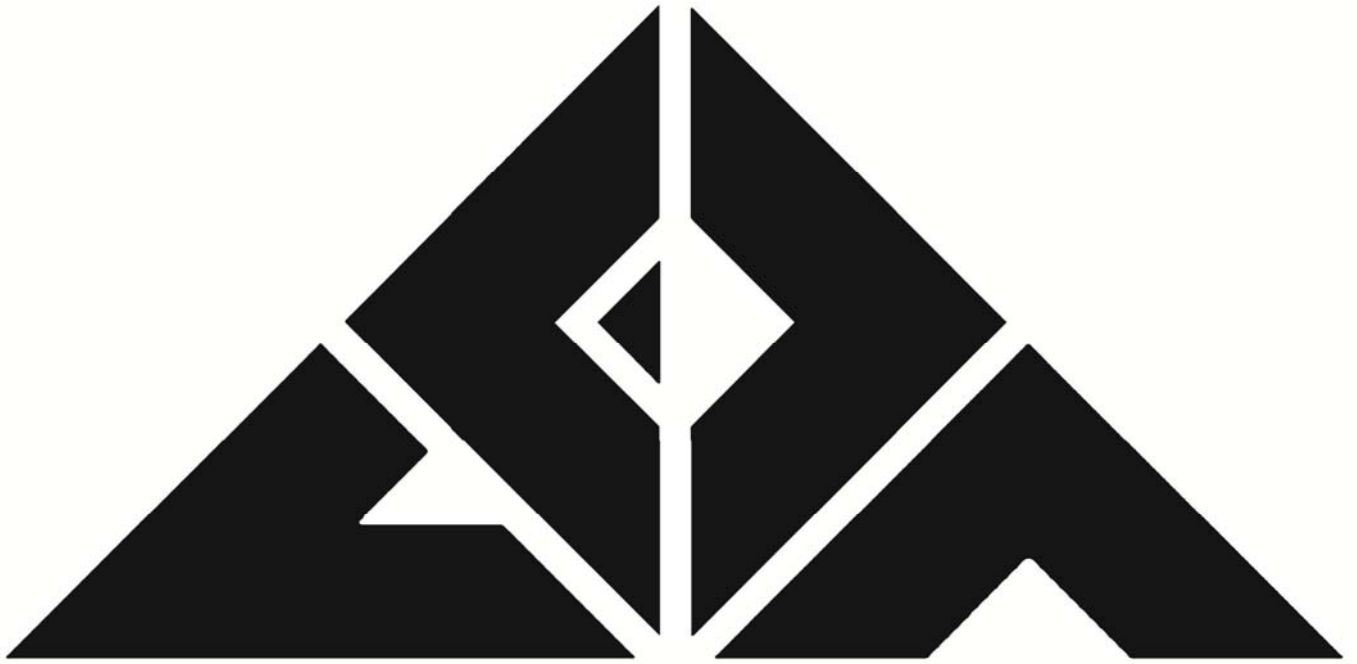
7. RIMS II Multipliers—Type II—Table 1.5 Total Multipliers for Output, Earnings, Employment, and Value Added by Detailed Industry—Bureau of Economic Analysis

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