



Kentucky Hospitals' Economic Importance to Their Communities



Flaget Memorial Hospital



**Kentucky
Hospital
Association**

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The data in this report was prepared by the Kentucky Hospital Association using a model designed by Paul Coomes, Ph.D., Professor of Economics and Barry Kornstein, Senior Research Analyst, University of Louisville.

About the data: Hospital data in this report are derived from the latest Medicare Cost Reports, State Utilization Reports and Disproportionate Share Reports. All other data are derived from IMPLAN.



Kentucky Hospital Association

Representing Kentucky Health Care Organizations



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In every community, the local hospital is vitally important, not only for the health care services they provide, but for their contribution to the economy. Because hospitals operate 24 hours a day, 7 days a week, 365 days a year, they employ thousands of workers. Over the last year, overall employment by Kentucky hospitals has risen in response to greater community needs for inpatient and outpatient services. The jobs and payroll generated by Kentucky's hospitals supply tax revenue to state and local governments, and support other Kentucky businesses through the purchase of goods and services. Hospitals also continually make investments in their physical plants to enhance quality of care for their patients. These capital projects are a source of a significant number of construction jobs for the local community. Local hospitals are also important assets to their community's future economic development because the presence of a hospital is a key factor in attracting new businesses.

In 2008, Flaget Memorial Hospital spent nearly \$24.4 million on employee wages and salaries and purchases of supplies and services. These dollars have a "ripple effect" as they move through the larger economy, supporting other businesses and jobs in the community as well as generating tax revenue used to fund state programs.

Jobs and Payroll

- *Flaget Memorial Hospital provides more than 384 jobs in the community, generating approximately \$17.3 million in annual local payroll.*
- *Hospitals rank 8th highest among other industries in Kentucky in terms of jobs, but 4th highest in wages and salaries.*
- *In many communities, the local hospital is the largest private employer.*
- *Because hospital workers are highly trained, the average hospital employee wage in 2008 was seventeen percent higher than the average wage of all other private employers in the state.*
- *Because of the sheer number of jobs and their high pay, hospitals remain one of the largest paychecks in Kentucky. Among industries defined at the comparable level of detail, only motor vehicle manufacturing and ambulatory health care services had greater total employee compensation.*
- *The \$17.3 million in wages and salaries Flaget Memorial Hospital pays their employees comprises nearly 3 percent of all wages and salaries in the county.*
- *In 2008, Flaget Memorial Hospital spent \$90,000 on capital projects, which created additional local construction jobs.*

Tax Payment

Flaget Memorial Hospital is responsible for approximately \$3 million in state and local tax revenue through the taxes they pay directly and tax revenue generated from their employees.

- Flaget Memorial Hospital paid nearly \$173,000 in city and county occupational taxes and public school occupational taxes.
- Flaget Memorial Hospital paid approximately \$1.3 million in provider taxes to the state to help support the Kentucky Medicaid program. When matched with federal funds, their provider tax supports \$4.3 million in state Medicaid spending.
- Kentucky receives \$1.6 million in income and sales taxes linked to the wages and salaries of Flaget Memorial Hospital employees.



In 2008, Flaget Memorial Hospital

- Cared for 2,371 people on an inpatient basis
- Welcomed 298 babies into the world
- Treated 17,959 people in its emergency department
- Had more than 46,025 outpatient visits

Local Spending by Hospitals and Their Employees

Funds spent by hospitals and their employees to buy goods and services flow to local businesses and then ripple throughout the economy. **Flaget Memorial Hospital is responsible for generating approximately \$12.8 million in local economic activity from the purchases they make and those made by their employees.**

- Flaget Memorial Hospital purchases many goods and services and generates nearly \$7.2 million annually in purchases from local companies.
- The employees of Flaget Memorial Hospital spend an estimated \$5.6 million in local purchases.

Indigent Care

Kentucky's hospitals are the safety net for their communities. All patients presenting at a hospital are treated, regardless of whether they have insurance or they can afford to pay.

- In 2008, the unreimbursed cost to Flaget Memorial Hospital just for treating uninsured persons whose income was below the federal poverty level topped \$2.3 million, and these patients are not billed. This amount does not include additional charity care provided by the hospital to uninsured people with higher income, uncollectible bad debt, or the full cost of caring for Medicare and Medicaid patients that these two government programs do not cover.

Impact of Reimbursement Reductions

In addition to their caring role, Flaget Memorial Hospital is an important part of the state and local economies and economic development strategies. Therefore, it is important that they be financially strong and stable. Their financial strength is intimately tied to payments from Medicare and Medicaid because approximately 70 percent of their patients are covered by one of these programs. **Reductions in reimbursement from these government programs not only adversely impact hospitals and their employees, but state and local government and the broader economy.**

A 10 percent change in Flaget Memorial Hospital net patient revenue (the amount the hospital actually collects) resulting from payment cuts in Medicare, Medicaid or other programs, would:

- Reduce hospital employee wages and salaries by about \$2.1 million and result in some combination of lost jobs and reduced pay per job in the broader community.
- Reduce state and local government tax revenue by nearly \$357,000.
- The ripple effect to other businesses would be a loss of \$8.7 million in regional sales and a reduction of nearly \$2.1 million in regional wages and salaries.