

FOR MORE INFORMATION

Please Contact:
Nicholas Brake, Ph.D.
GO-EDC President/CEO
270.926.7888
nbrake@owensboro.com

September 17, 2009

FOR IMMEDIATE RELEASE

Expansion of Health Care Industry and New Hospital will have Significant Economic Impact on Region

The expansion of the health care industry through the construction of a new hospital will have a significant economic impact on the Greater Owensboro region, according to an analysis by the Greater Owensboro Economic Development Corporation (GO-EDC).

Hospitals make substantial contributions to local and regional economies through the purchase of goods and services and the employment of large numbers of workers. An analysis of data from the Bureau of Economic Analysis and the Bureau of Labor Statistics by GO-EDC demonstrates that health care is a base industry in the Owensboro metropolitan statistical area, meaning that each dollar in earnings and jobs for employment create additional earnings and jobs in the region. The investment by the Owensboro Medical Health System (OMHS) in the local economy with a new hospital will lead to 500 new long-term health care jobs over the next five years, which will ultimately translate to a total of 800 net new jobs in the region and over \$24 million in new payroll earnings in the five county area. OMHS current annual payroll is \$162,936,094, employing 3,147, an increase of 1,000 people since 1995.

The jobs and earnings numbers are not counting the construction phase of the project or the jobs that come along with new physicians recruited to the region as a result of the new hospital. The construction phase alone, according to BEA multipliers, will create over 4,000 jobs, \$450,000,000 in new output and \$139,000,000 in additional earnings for the region.

“Little attention is paid hospitals from an economic development perspective, and this is unfortunate,” said EDC President Nick Brake. “The lack of attention is, in part; because of the perception that health care is only a locally serving activity that has little impact on driving a metropolitan

BEA Multipliers for Owensboro MSA

The table below shows both the direct earnings effect and direct employment effect of two principal NAICS codes in health care. A direct effect greater than one ($e > 1$) indicates that each dollar for earnings and job for employment create additional earnings and jobs in the region, and therefore, that the industry is part of region’s economic base. A direct effect lower than one ($e < 1$) indicates that the earnings and jobs in the health care industry are “nonbasic” and, therefore, dependent upon “basic” industries.

Health Care Industry (NAICS Codes)	Direct Effect Earnings (dollars)	Direct Effect Employment (jobs)
Ambulatory health care services	1.3757	1.6897
Hospitals and nursing services	1.4074	1.5496

Source: BEA RIMS II Data, 2006

Location Quotients

Location quotients use employment data from the Bureau of Labor Statistics to compare the ratio of occupations nationally to the ratio of occupations locally to provide an indication of the role of health occupations to the economic base in the Greater Owensboro MSA. Location quotients greater than one (LQ > 1) indicate a concentration of occupations in the region is larger than the concentration of the same occupation title nationally.

Occupational Area	Location Quotient
--------------------------	--------------------------

Healthcare Practitioner and Technical Occupations	1.31
--	-------------

Healthcare Support Occupations	1.14
---------------------------------------	-------------

Source: GO-EDC using BLS data, May 2009

area's economic prosperity. Evidence from around the country is showing us otherwise. Hospitals are significant contributors to the economic base of regions. This analysis indicates that is the case here in Owensboro.”

Recent research at the University of New Orleans (Nelson, 2009) indicates that hospitals are substantial contributors to the economic base of slow-growth and larger metros. The study indicated that hospitals in small metropolitan regions, such as Owensboro, have the potential to evolve as a significant export industry because they often provide basic care in surrounding geographic areas. The expansion of OMHS as an 11 county regional medical center means that health care will likely grow as an export industry, adding significantly to the regional economic base. For more information about the New Orleans study please visit <http://edq.sagepub.com/cgi/content/abstract/23/3/242>

Another significant measure of export revenue from the health care industry is the percentage of Medicare received from Medicare patients outside the metropolitan area. According to data supplied by OMHS, roughly \$75 million in net payments, or 20

percent, come from patients outside the Owensboro MSA. The median percentage in the University of New Orleans analysis was 12 percent.

Additional data analyzed from the Bureau of Labor Statistics shows a stronger concentration of health care related occupations in the Greater Owensboro region than nationally, another indicator of the significance of the health care sector to the overall regional economic base. The average salary for health practitioner occupations in the Greater Owensboro region is over \$52,000 per year, more than double the median income of the Owensboro MSA.

“It is reasonable to conclude that the health care industry in Greater Owensboro is an export-oriented industry central to the region’s economic base,” said Brake. “Expansion in the health care industry would positively impact the export base and provide a long-term economic benefit to the region.”

###

As Owensboro’s economic development agency, the Greater Owensboro Economic Development Corporation is a public-private partnership formed to create a diversified, sustainable economy generating wealth, quality jobs and improving quality of life of Kentucky’s third largest city.

***Location Quotients of Specific Health Occupations
for the Owensboro MSA***

Occupational Title	Location Quotient
Pharmacists	.933
Physician Assistants	1.15
Registered Nurses	1.65
Occupational Therapists	.874
Physical Therapists	.826
Respiratory Therapists	1.06
Speech-Language Pathologists	1.03
Medical and Clinical Laboratory Technologists	1.16
Medical and Clinical Laboratory Technicians	1.10
Dental Hygienists	1.43
Radiologic Technologists and Technicians	1.98
Pharmacy Technicians	1.70
Surgical Technologists	3.70
Licensed Practical and Licensed Vocational Nurses	1.21
Medical Records and Health Information Technicians	1.14
Nursing Aides, Orderlies, and Attendants	1.69
Physical Therapist Assistants	2.23
Dental Assistants	.754
Medical Assistants	1.10
Healthcare Support Workers, All Other	1.01
Medical and Health Services Manager	1.07

Source: GO-EDC using Bureau of Labor Statistics data, May 2009