



# Kentucky Hospitals' Economic Importance to Their Communities



## Kentucky Hospitals Statewide Report

Data Compiled October 2018



# Kentucky Hospitals' Economic Importance to Their Communities

## Kentucky Hospitals

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. 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. 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.

### In 2016, Kentucky Hospitals



Spent nearly **\$7.7 billion** on employee wages and salaries and purchases of supplies and services.



**Employed**  
**73,395 people**



Spent  
**\$684.5 million**  
on capital projects



Generated an annual local payroll of **\$4.7 billion** comprising **5.00%** of all wages and salaries in the state

25% Higher



Kentucky  
Hospital  
Employee

Other  
Private  
Employee

## Average Salaries in Kentucky

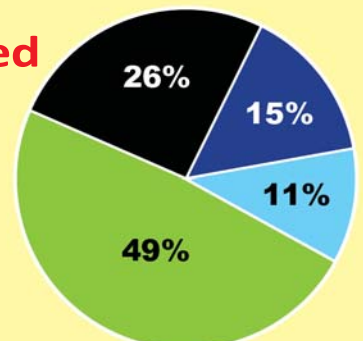
*The average Kentucky hospital employee paycheck is **25% higher** than all other private employees in the state.*

### In 2016, Kentucky Hospitals

- Cared for 567,739 inpatients
- Welcomed 51,024 babies into the world
- Treated 2,426,218 patients in their ERs
- Had more than 7,906,993 outpatient visits

### Statewide Uncompensated Care Cost **\$1,242,446,420**

- Medicaid Shortfall
- Medicare Shortfall
- Cost of Bad Debt
- Charity Care Cost



## Local Spending



Funds spent by hospitals and their employees to buy goods and services flow to local businesses and then ripple throughout the economy



The hospitals generate nearly **\$3 billion** annually in purchases from local companies



The hospitals' employees spend an estimated **\$2.2 billion** in local purchases

## TAX Revenue



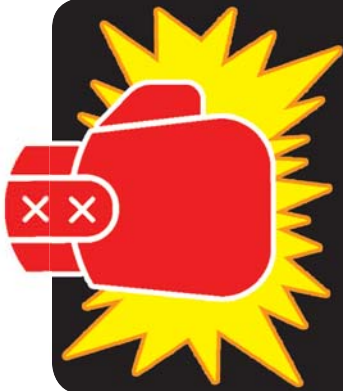
Kentucky hospitals paid:

- \$96.4 million in city and county occupational taxes
- \$183 million in provider taxes to help support the Medicaid program that are matched with federal funds to support \$610 million in state Medicaid spending

Its employees generated:

- \$390.6 million in income and sales taxes

## Impact of Reductions



Since Kentucky hospitals are such an important part of the state and local economies, reductions in reimbursement from Medicare and Medicaid have a direct impact on the entire economy – not just the hospital.

# 63%

of the hospitals' patients are covered by government programs.

**A 10% change in the hospital's net patient revenue due to cuts to government programs like Medicare and Medicaid, would:**



Reduce hospital employee wages and salaries by approximately **\$465 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 **\$88.9 million**



Cause a ripple effect to other businesses creating a loss of **\$2.3 billion** in regional sales and a reduction of nearly **\$676 million** in regional wages and salaries



# The Economic Importance of Kentucky Hospitals

estimates of annual activity, 2016 or latest available data

## Kentucky

Hospital Activity		Estimated Taxes Paid	
Licensed Beds:	18,879	City government occupational taxes:	\$40,105,880
Admissions:	567,739	County government occupational taxes:	\$49,308,762
Total inpatient days:	3,064,648	Public school occupational taxes:	\$6,997,665
Uncompensated Care:	\$1,243,660,968	Kentucky income and sales taxes linked to employee wages and salaries:	\$390,637,429
Employees:	73,395	Kentucky hospital provider tax:	\$183,000,000
Wages and salaries:	\$4,650,445,589	<b>Total state and local taxes:</b>	<b>\$667,348,864</b>
Hospital's Share of All Wages and Salaries in State:	5.0%		
Capital Investments:	\$684,535,919		

Estimated hospital purchases from local companies		Estimated local spending by hospital employees	
Total Hospital Local Purchases	\$3,466,620,104	Total Employee Local Purchases	\$2,360,225,304
Sum of commodities not shown	\$835,792,883	Sum of commodities not shown	\$719,744,619
Insurance	\$454,444,289	Imputed rental services of owner-occupied dwellings	\$361,105,844
Employment services	\$301,692,889	Private hospital services	\$276,587,415
Real estate buying and selling, leasing, managing, and r	\$283,507,075	Offices of physicians	\$111,921,205
Wholesale trade distribution services	\$234,135,388	Real estate buying and selling, leasing, managing, and	\$104,899,351
Other financial investment services	\$181,026,090	Limited-service restaurant services	\$95,094,843
Other ambulatory health care services	\$176,153,168	Wholesale trade distribution services	\$92,656,319
Management consulting services	\$150,125,314	Retail services - General merchandise stores	\$59,264,812
Electric power transmission and distribution	\$122,434,354	Insurance	\$53,890,220
Legal services	\$103,989,975	Full-service restaurant services	\$50,405,853
Office administrative services	\$88,020,988	Electric power transmission and distribution	\$48,627,256
Full-service restaurant services	\$83,202,607	Wired telecommunications	\$44,550,332
Commercial and industrial machinery and equipment r	\$79,274,368	Retail services - Food and beverage stores	\$44,072,590
Accounting, tax preparation, bookkeeping, and payroll	\$65,543,763	Wireless telecommunications (except satellite)	\$40,881,048
Advertising, public relations, and related services	\$54,365,104	Junior colleges, colleges, universities, and professional	\$38,684,978
Management of companies and enterprises	\$48,917,050	Retail services - Nonstore retailers	\$37,876,705
Wired telecommunications	\$46,775,229	Automotive repair and maintenance, except car washes	\$37,329,800
Dry-cleaning and laundry services	\$40,269,000	Retail services - Motor vehicle and parts dealers	\$37,122,950
Automotive repair and maintenance, except car washes	\$40,169,764	Outpatient care centers	\$37,066,804
Automotive equipment rental and leasing services	\$38,514,203	Used and secondhand goods	\$34,667,796
Limited-service restaurant services	\$38,266,602	Offices of dentists	\$33,774,565

Estimated regional economic impact of a 10% change in hospital's net patient revenue			
Change in hospital wages and salaries	\$465,044,559	Change in regionwide wages and salaries	\$676,041,975
Change in regionwide sales of businesses	\$2,321,204,670	Change in state and local tax revenues	\$88,934,453

Prepared by Kentucky Hospital Association using a model developed 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 Medicare Cost Reports, State Utilization Reports, and Disproportionate Share Reports. All other data are derived from IMPLAN or the hospital.

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