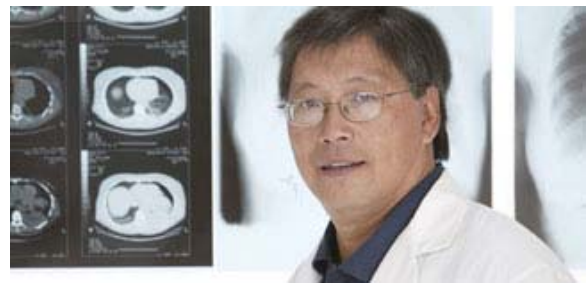


Economic and Fiscal Impacts of Baylor Regional Medical Center in Grapevine



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Introduction

Baylor Regional Medical Center at Grapevine continues to provide comprehensive healthcare services to the residents of the north central Texas region and beyond. The medical center, which began as Grapevine Clinic and Hospital in 1953, has grown substantially over the past several years and now boasts more than 100,000 patient encounters each year.

In addition to being an important contributor to the well-being of area residents, Baylor-Grapevine is a major regional employer with 1,259 employees, plus another 131 contracted food service and facility management workers. Annual operating expenditures at Baylor-Grapevine (BG) approaches \$200 million sparking economic activity and job creation across the Dallas-Fort Worth Metroplex.

In the following we report the findings of our analysis of the economic and fiscal impacts associated with recurring operating expenditures by Baylor-Grapevine, economic activities at BG ancillary facilities, and spending by out of area visitors to BG patients. We also examine the important, if temporary, impacts of capital spending by the hospital during the period 2004-2013. Finally, we discuss the value of charitable contributions by the hospital and its employees as well as estimates of charitable care provided by the hospital.

Estimates of the economic and fiscal impacts attributable to Baylor-Grapevine are based on data provided by the hospital and the IMPLAN regional economic input-output model developed by the Minnesota IMPLAN Group. This model, which is widely used in academic and professional research, provides estimates of direct, indirect, and induced impacts on regional economic activity, employment, labor income, property income, and indirect business taxes. Direct impacts capture spending by the hospital for goods and services procurement, as well as salaries, wages, and benefits. Indirect impacts refer to spending by Baylor-Grapevine's vendors.

For example, the company that provides surgical supplies to the hospital purchases raw materials, manufacturing equipment, packaging, accounting services, and transportation services to support their operations. In turn the transportation service provider buys fuel and hires drivers. Moreover, BG employees, plus the employees of all these indirect firms, spend a portion of their earnings for goods and services in the local economy, which is the induced impact. Added together, these activities are greater than Baylor-Grapevine's initial spending creating a "multiplier" effect. The IMPLAN model adjusts the estimated spending at each stage to only account for local spending.

Economic and Fiscal Impacts of Capital Spending

Baylor-Grapevine is currently halfway through an aggressive capital spending program to expand facilities and services. In the six-year period 2004-2009 (fiscal years), BG has spent over \$122 million on capital expansion programs. Planned expenditures for 2010-2013 total an additional \$230 million. Over the 10-year period starting in 2004, Baylor-Grapevine will spend a total of \$339.6 million on capital programs expressed in constant 2009 dollars. This spending has had, and will have, a substantial impact on local economic activity totaling more than \$567 million during the 10-year period (see Table 1). This activity will generate 3,800 person-years of employment paying in excess of \$207 million in salaries, wages, and benefits.¹ In addition, this capital spending will directly or indirectly create \$63 million in property income in the form of

¹ A person-year of employment is one job lasting for one year. Though there is substantial yearly variation in actual and planned capital spending that affects associated employment, one can say that 4,000 person-years of employment over a 10-year period means that Baylor-Grapevine's capital spending will support an average of 400 jobs per year during the capital program.

rents, royalties, dividends, and corporate profits.² Finally, state and local governments will enjoy almost \$15 million in indirect business taxes including property taxes, sales and use taxes, and fees for licenses and permits.

Table 1
Economic and Fiscal Impacts of Capital Spending
Baylor Regional Medical Center at Grapevine
2004-2013

Description	Impact
Total Expenditures	\$ 339,579,000
Economic Activity	\$ 567,796,000
Labor Income (salaries, wages, benefits)	\$ 207,860,000
Employment*	3,827
Other Property Income**	\$ 63,010,000
Indirect Business Taxes***	\$ 14,929,000

All figures in (\$2009) * Person years of employment. Actual employment levels will vary from year to year. ** Includes royalties, rents, dividends, and corporate profits. *** Includes state and local sales and use taxes, property taxes, license and permit fees. Source: Baylor-Grapevine, authors' estimates

Recurring Impacts of Baylor Grapevine and Ancillary Facility Operations

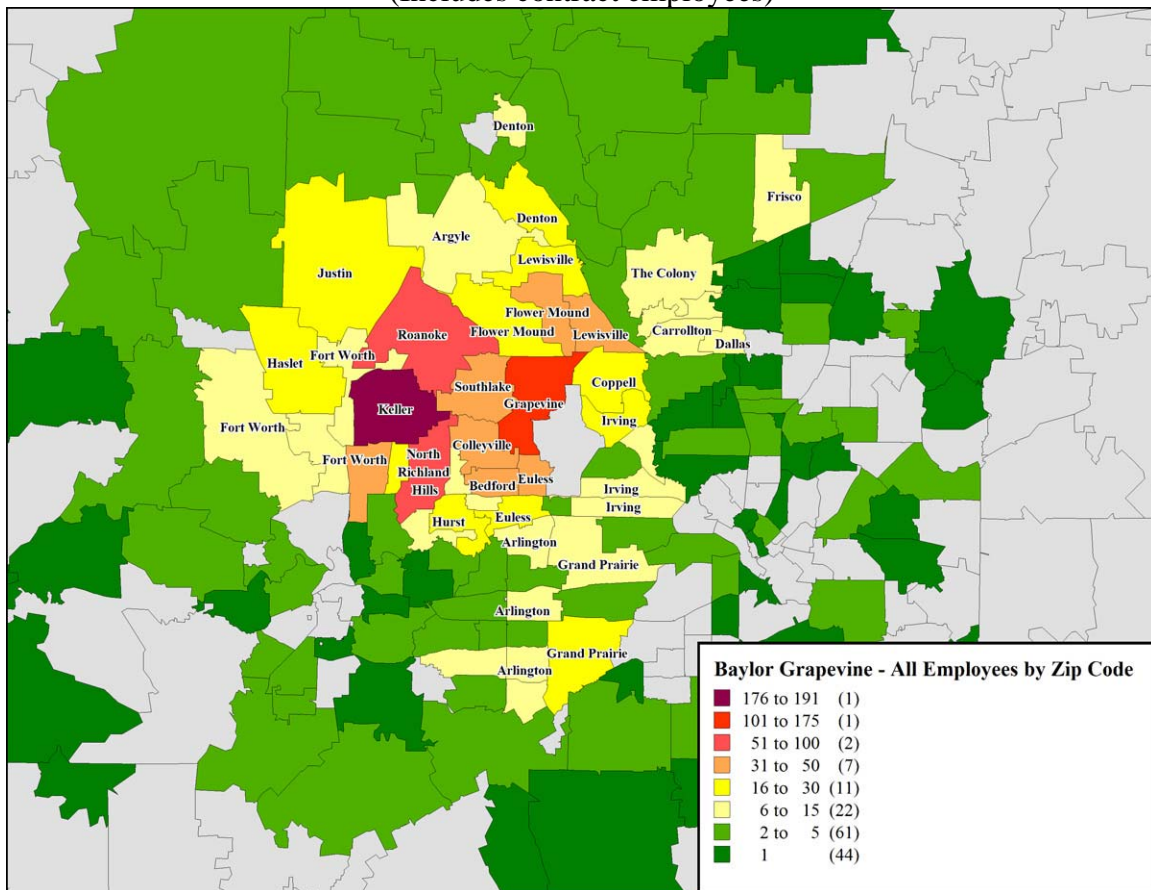
In assessing the recurring impacts associated with Baylor-Grapevine operations we examine three specific categories of activities. The first is operating expenditures at Baylor-Grapevine, which includes the procurement of supplies, professional services, and employee-related spending. The second category of spending captures the impacts of activities at ancillary facilities such as Baylor Family Medicine in Keller, Southlake Family Medicine, Colleyville Family Medicine, Flower Mound Family Medicine and other service locations. Finally, we estimate visitor spending by family and friends who are accompanying in-patients at Baylor-Grapevine who are from outside this region.

² For example, if a Baylor Grapevine employee rents a house, part of that rent is realized as income by the landlord. In addition, a small business person will enjoy income from corporate profits based on sales made to Baylor Grapevine. Based on broad averages, larger vendors for BG will pay out a portion of their profits in dividends to share holders, some of whom are assumed to resided in the north Texas region.

As noted previously, Baylor-Grapevine directly employs about 1,260 persons, plus an additional 131 contracted workers providing food and facility maintenance services. A substantial portion of these employees live in Grapevine and surrounding communities, but, as shown in Figure 1, the hospital is a regional employer providing jobs to residents even beyond the Metroplex.

Figure 1

Baylor Grapevine Employees by Home Zip Code
(Includes contract employees)



Source: Baylor-Grapevine

Recurring annual operating expenditures at Baylor-Grapevine now exceed \$198 million. This spending generates over \$355 million in economic activity across the Dallas-Fort Worth metropolitan area, supporting almost 2,600 permanent jobs, and creating \$139.7 million in

salaries, wages, and benefits (see Table 2). In addition, property income is boosted by \$38 million per year. Finally, even though the hospital is a non-profit entity, the secondary economic activities associated with Baylor-Grapevine provide \$9.8 million to state and local tax entities annually.

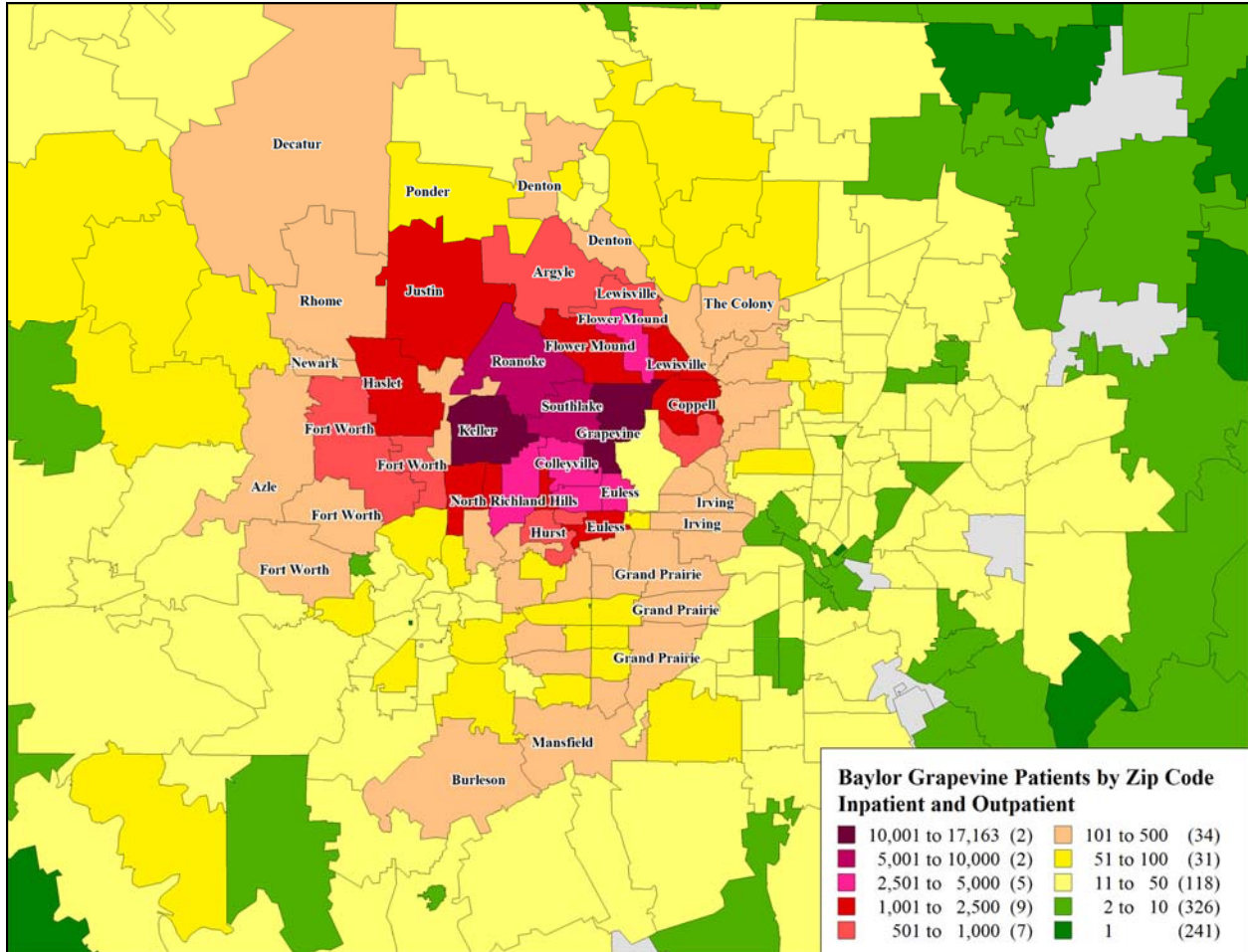
Operations at Baylor-owned facilities in Grapevine, Colleyville, Southlake, Keller, and Flower Mound contribute a combined \$39 million in regional economic activity supporting 266 direct, indirect, and induced jobs paying about \$16 million in salaries, wages, and benefits. These ancillary facility operations also support \$4.9 million in annual property income and boost state and local tax coffers by almost \$1 million.

When patients from outside the DFW area come to Baylor-Grapevine for in-patient services and procedures, they often bring with them family and friends who stay for several days. Typically these individuals stay at near-by hotels (with whom the hospital has arranged for very competitive lodging rates), eat at least some of their meals in the hospital cafeteria, and shop at the hospital gift shop. Nonetheless, these individuals also spend money away from the hospital, especially if the patient is in the hospital for more than a few days. Based on data obtained for previous studies, we have estimated the impacts of spending by these out-of-area visitors for lodging, food and beverages, local transportation, and miscellaneous retail spending.

Patients come to Baylor-Grapevine from across north central Texas and beyond, and Figure 2 shows a regional view of patient origins. As expected, the strongest markets for Baylor-Grapevine are in northeast Tarrant County, northwest Dallas County, and southern Denton County. However, a substantial number of patients come from Decatur, Burleson, Mansfield, and other more distant cities. In many cases patients drive past multiple medical centers on their way to Baylor-Grapevine, which amounts to imported spending for the City of Grapevine.

Figure 2

Baylor Regional Medical Center at Grapevine Patients by Home Zip Code



Source: Baylor Regional Medical Center at Grapevine.

Based on spending habits reported in previous studies, we estimate that total spending by out-of-area visitors related to Baylor-Grapevine is about \$1.6 million per year. This spending creates about \$2.7 million in regional economic activity, supports 29 permanent jobs, and increases local labor income by \$904,000. State and local taxes see an increase of about \$190,000 related to visitor spending and local property income rises by \$431,000.

When the impacts of the three categories of activity are added, Baylor Regional Medical Center in Grapevine creates over \$397 million in regional economic each year. This activity

supports almost 2,900 permanent jobs paying \$156.6 million in salaries, wages, and benefits. In addition, regional property income increases by \$43.6 million as a result of Baylor-Grapevine operations. Finally, though the hospital is itself tax exempt, business activities supported by Baylor Grapevine generate over \$11 million per year for state and local governments.

Table 2

**Recurring Annual Economic and Fiscal Impacts of
Baylor Regional Medical Center at Grapevine**

Description		Impact
Baylor-Grapevine Operations		
Total Expenditures		\$ 198,042,000
Economic Activity		\$ 355,453,000
Labor Income (salaries, wages, benefits)		\$ 139,677,000
Employment		2,593
Other Property Income*		\$ 38,290,000
Indirect Business Taxes**		\$ 9,856,000
Ancillary Facility Operations		
Economic Activity		\$ 39,119,000
Labor Income (salaries, wages, benefits)		\$ 16,068,000
Employment		266
Other Property Income*		\$ 4,927,000
Indirect Business Taxes**		\$ 980,000
Visitor Spending		
Economic Activity		\$ 2,724,000
Labor Income (salaries, wages, benefits)		\$ 904,000
Employment		29
Other Property Income*		\$ 431,000
Indirect Business Taxes**		\$ 192,000
Total Impacts		
Economic Activity		\$ 397,296,000
Labor Income (salaries, wages, benefits)		\$ 156,650,000
Employment		2,888
Other Property Income*		\$ 43,648,000
Indirect Business Taxes**		\$ 11,028,000

* Includes royalties, rents, dividends, and corporate profits. ** Includes state and local sales and use taxes, property taxes, license and permit fees. Source: Baylor-Grapevine, authors' estimates

Community Impacts of Baylor Regional Medical Center at Grapevine

Baylor Regional Medical Center at Grapevine touches the community in many ways beyond hospital care and medical treatment. Community health fairs, health and medical public education, and sponsorship for many local charitable activities are an integral component of Baylor-Grapevine's operating plans. In fiscal year 2008, the hospital donated cash or provided in-kind services worth more than \$114,000. This figure includes over \$16,000 in scholarships for local high school students wishing to study in healthcare related fields. However, the largest contribution the hospital makes is in the care it provides to the community.

In fiscal year 2008, Baylor-Grapevine provided almost \$8.4 million in charity care to local patients that could not afford treatment. In addition, the hospital provided about \$18.9 million in care through unreimbursed costs associated with government healthcare programs. Added together, these unreimbursed costs amounted to 13.2 percent of Baylor-Grapevine's revenues. With the Dallas-Fort Worth region began feeling the effects of the national recession, the need for charitable care and the incidence of unreimbursed expenses through government health programs has undoubtedly risen substantially this year. The full value of this care in terms of lost work hours regained and further medical expenses avoided is largely immeasurable, but nonetheless real and important for the regional economy.

Conclusions

Baylor Regional Medical Center at Grapevine continues to be an extraordinarily valuable enterprise for Grapevine and the region. In addition to the excellent care offered by the hospital, Baylor-Grapevine is a significant contributor to local economic activity and job creation. Capital spending for hospital improvements and expansion over the 2004-2013 period will generate

\$567 million in economic activity and support 3,800 person-years of employment. Recurring impacts of hospital operations, including nearby ancillary facilities and visitor spending, has risen in recent years and now exceeds one-third billion dollars on an annual basis creating over 2,800 permanent jobs and boosting regional labor earnings by \$156 million. State and local taxing entities also benefit from Baylor Grapevine's on-going operations with recurring contributions of about \$11 million per year. In addition, the hospital's capital campaign is boosting state and local tax coffers by an average of almost \$1.5 million over the 10-year program.

Importantly, the hospital supports many community and charitable activities with cash and in-kind donations exceeding \$110,000 in fiscal year 2008. However, these contributions pale in comparison to the value of charitable care and unreimbursed care provided through government health programs, which totaled over \$27 million in 2008.