

Measuring the economic pulse of
Health Care and Related Industries
on the Wichita Regional Economy

VITAL SIGNS



*Physicians who care ... for our patients,
our community and
our profession*



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Leading Economic Force

Health care is a leading economic force in this region. In 2016, the economic impact of health care and related industries included:



- ▶ #2 in employment
- ▶ \$2.8 billion in payroll stimulus to local economy
- ▶ 72,924 direct and indirect employees
- ▶ \$41,998 average wage

Health care generated an estimated \$189.51 million in state income and state and local sales taxes in 2016. In addition, health care employees and companies pay real estate taxes that help support schools and other local government services.

Area hospitals and clinics also draw patients from throughout the state – and from out of state. These visitors often stay in local hotels, eat at area restaurants and shop while they are in town – making the economic impact of health care even greater.

Health care also is critical in attracting and retaining employees. New companies and their executives are reluctant to relocate to a community that lacks good hospitals and skilled physicians.

Wichita is fortunate to have so many high-quality health care providers. They are helping keep both our citizens and our economy healthy.

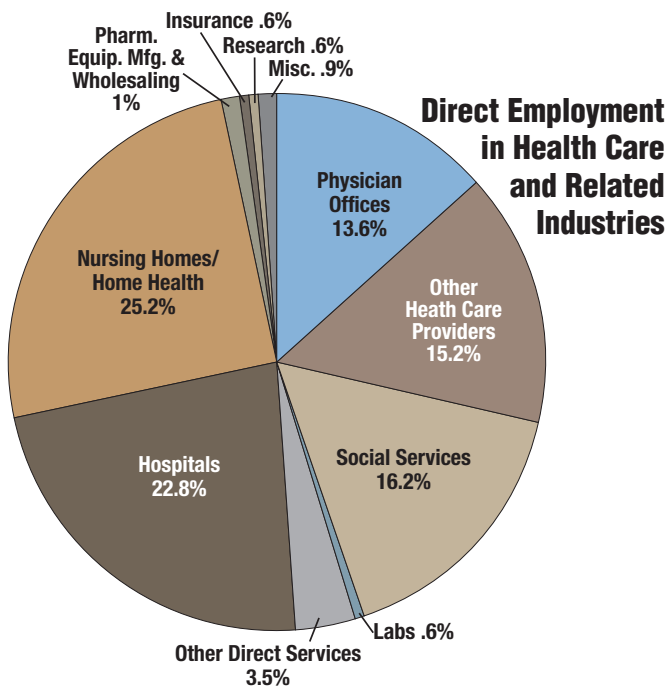


ECONOMIC IMPACT SUMMARY *(Wichita MSA)*

Health care is an important component of the local economy, playing a key role in employment and earnings. In addition to the direct contributions, there are impacts to the local economy from the interactions between the health care industry and other industry sectors. Health care and social assistance is the second largest employer in the Wichita area, accounting for 15.6% of total employment.

	Health Care Industry	Related Industries	Health Care & Related Industries
Direct Employment (2016)	40,723	2,874	43,597
Indirect & Induced Employment (2016)	27,452	1,875	29,327
Total Employment (2016)	68,175	4,749	72,924
Direct Wages (2016)	\$41,843	\$44,191	\$41,998
% Change in Direct Wages (20013-16)	5%	-15%	3%
Direct Payroll (2016) (in millions)	\$1,704	\$127	\$1,831
Indirect & Induced Payroll (2016) (in millions)	\$865	\$79	\$944
Total Payroll (2016) (in millions)	\$2,569	\$206	\$2,775

	Wichita	Sedgwick County	Kansas	Total
Income/Sales Taxes (2016) (in millions)	\$6.22	\$4.53	\$178.77	\$189.51



HEALTH CARE INDUSTRY HIGH RANKING

Top Employment Industries (Wichita MSA 2016)

Health Care Industry ranked #2, out of 20 private industries, in total metropolitan employment in 2016, with 40,723 direct employees.

Industry	Employment	% of Total
1 Manufacturing	48,772	18.7%
2 Health Care & Social Assistance	40,723	15.6%
3 Retail Trade	34,807	13.4%
4 Accommodation & Food Services	26,857	10.3%
5 Construction	16,358	6.3%

Top Industries by Employment Growth (Wichita MSA 2013-2016)

Employment growth has been flat in the Health Care industry since 2013, ranking #10 out of 20 private industries in total employment level change from 2013-2016.

Industry	Level Change	% Change
1 Retail Trade	2,294	7.1%
3 Construction	2,203	15.6%
2 Admin. of Waste Mgt.-Remediation Svc.	1,987	15.4%
4 Management of Co. & Enterprises	1,787	40.6%
5 Accommodation & Food Services	1,657	6.6%
10 Health Care & Social Assistance	12	0.0%

Top Industries by Wage (Wichita MSA 2016)

The average annual wage of \$41,843 is only somewhat below the average wage for all industries of \$42,867. However, after adjusting for inflation, wages in Health Care industry grew 3% between 2013 and 2016, well above the area average of 0.2%.

Industry	Average Wage
1 Management of Companies & Enterprises	\$94,075
2 Utilities	\$81,729
3 Manufacturing	\$64,414
4 Wholesale Trade	\$59,272
5 Mining, Quarrying, and Oil and Gas Extraction	\$59,102
11 Health Care & Social Assistance	\$41,843

Top Industries by Wage Growth

(Wichita MSA 2013-2016)

From 2013-2016 the average growth (adjusted for inflation) for all sectors was only 0.2%. The Health Care industry ranking at #7 compared to 20 other private industries in the Wichita MSA at 3.0%.

Industry	Average Wage Growth
1 Real Estate & Rentals & Leasing	15.4%
2 Other Services (Except Public Administration)	8.1%
3 Utilities	6.2%
4 Accommodation and Food Services	4.7%
5 Finance & Insurance	4.6%
7 Health Care & Social Assistance	3.0%

16% OF THE WICHITA MSA WORKFORCE

EMPLOYMENT: Health Care & Related Industries (Wichita MSA)

The employment impact of health care and related industries in 2016 in the Wichita area was estimated to be 72,924 jobs. About 60 percent was direct employment with the remaining jobs resulting from the indirect and induced effects. Since 2009 employment levels, on average, have been flat with a small increase in health care and a decrease in related industries.

Year	Total	Direct	Indirect/Induced
2013	74,116	43,698	30,419
2014	75,618	44,503	31,115
2015	72,701	43,575	29,126
2016	72,924	43,597	29,327

EMPLOYMENT: Health Care Industry (Wichita MSA)

Health Care Industry employment is comprised of ambulatory Health Care services, hospitals, nursing and residential care facilities and social assistance. The number of direct employees grew by only 20 in 2016 with total employees at 68,175 – a modest 0.4% increase compared to 2015 in the Health Care Industry.

Year	Total	Direct	Indirect/Induced
2013	68,995	40,711	28,284
2014	70,429	41,509	28,920
2015	67,889	40,703	27,186
2016	68,175	40,723	27,452

EMPLOYMENT: Related Industries (Wichita MSA)

Related Industries are intertwined with the Health Care service sector to the extent that one could not exist without the other. For example, if there were no doctors in a given area, there would be no need to have a medical supplier. Related Industries include: pharmaceutical and medicine manufacturing, medical equipment and supply manufacturing, wholesale trade, retail trade, medical insurance sales and grantmaking and giving services.

The direct economic impact on employment of Related Industries in 2016 was 2,874 jobs, a minimal increase compared to 2015. The total economic impact of Related Industries on employment in 2016 was 4,749 jobs, a decrease from 2015.

Year	Total	Direct	Indirect/Induced
2013	5,121	2,987	2,135
2014	5,190	2,994	2,196
2015	4,812	2,872	1,940
2016	4,749	2,874	1,875

WAGE GROWTH

AVERAGE ANNUAL WAGE:

Health Care and Related Industries (Wichita MSA)

The average annual wage per worker in health care and related industries was \$41,998 in 2016. This is 98% of the average annual wage in Wichita of \$42,866.

Year	Annual Wages
2013	\$40,718
2014	\$41,751
2015	\$42,606
2016	\$41,998

ANNUAL PAYROLL: Health Care and Related Industries

(Wichita MSA, in millions of dollars)

The earnings impact of health care and related industries in the Wichita area was estimated to be \$2.8 billion in 2016. Two thirds, 66%, was direct earnings of workers in the industry, with the remaining earnings resulting from the indirect and induced effects. After adjusting for inflation, earnings in these industries have declined slightly since 2009.

Year	Total	Direct	Indirect/Induced
2013	\$2,745	\$1,779	\$966
2014	\$2,868	\$1,858	\$1,010
2015	\$2,815	\$1,857	\$959
2016	\$2,775	\$1,831	\$944

EMPLOYMENT TAX IMPACT

Income/Sales Taxes (Wichita MSA, in millions of dollars)

The earnings of direct, indirect, and induced workers are subject to income tax, and a portion of each worker's earnings will be spent on goods subject to the retail sales tax. This estimate most likely understates the true fiscal benefit to the state. Due to data limitations, these benefits do not include any financial benefits from the companies, real estate taxes, and taxes that were accrued to other taxing jurisdictions within the state.

The fiscal impact of this activity was estimated to be approximately \$189.5 million in 2016. Workers in this industry were estimated to have paid \$6.2 million and \$4.5 million in sales taxes to the City of Wichita and Sedgwick County, respectively. Additionally, there was an estimated \$178.77 million in sales and income taxes paid to the state of Kansas in 2016.

Year	Total	Wichita	Sedgwick County	Kansas
2013	\$184.08	6.07	4.42	173.58
2014	\$193.21	6.34	4.61	182.25
2015	\$192.96	6.31	4.59	182.05
2016	\$189.51	6.22	4.53	178.77

HEALTH CARE ECONOMIC TRENDS

	2012	2014	2016
Payroll	\$2.8 billion	\$2.9 billion	\$2.78 billion
Employment in MSA	#2	#2	#2
# of Employees	74,754	75,618	72,924
Emp. Tax Impact (ICT/SC/KS)	\$183 million	\$193 million	\$190 million
Average Wage	\$40,836	\$41,751	\$41,998

METHODOLOGY

The CEDBR Fiscal Benefit-Cost Model takes each benefit and applies the appropriate tax scenario. As an example, an employee is paid a wage on which income taxes are paid. The employee spends his or her income on retail trade, which is assessed a retail sales tax. It is assumed that 50 percent of all wages are subject to retail sales tax. It is further assumed that 100 percent of wages are subject to federal income tax, as well as state income tax. In the Fiscal Benefit-Cost Model, all data used are subject to a substitution and a multiplier effect.

Substitution occurs when new investment merely displaces current resources and jobs from one entity to another. This analysis measures the impact of all business activity within Kansas. Substitution effects were excluded in this application of the model, due to the fact that we are evaluating existing health care employment in the Wichita area.

RIMS II multipliers from the Bureau of Economic Analysis, aggregated for the Wichita Metropolitan Area, were used to calculate total economic impacts from industry, net of substitution. The notion of a multiplier effect arises due to the interrelatedness of local industries. For example, if the demand in an industry increases, this will lead to an increase in demand from industry suppliers. Therefore, payroll increases as a direct result of the expanding firm's operations and indirectly as a result of the expanding firm's increase in demand for locally supplied inputs. The multiplier also addresses the relationship between wages and employee demands on supporting industries, such as retail trade. There is a need for additional employees, who earn wages, as sales in the retail trade industries increase. This induced effect measures the impact of expenditures of direct and indirect employees to retail and other industries. The total effect of expansion is the sum of these direct, indirect and induced effects.

Direct effect multipliers are reported for both employment and earnings impacts and were used in determining the direct effect of employment and wages. Direct effect multipliers calculate the change in total employment based on a change in a specific industry's employment.

Data Estimates

As a basis of the analysis wage and employment data from the U.S. Census Bureau County Business Patterns (CBP) was used. 3 CBP data are extracted from the Business Register, the Census Bureau's file of all known single and multi-establishment companies. Data comes from a variety of sources, including the Economic Census, the Annual Survey of Manufactures, and Current Business Surveys, as well as from administrative records of the Internal Revenue Service, the Social Security Administration, and the Bureau of Labor Statistics.

Employment consists of full- and part-time employees, including salaried officers and executives of corporations, who are on the payroll for the pay period including March 12. Included are employees on paid sick leave, holidays, and vacations; not included are sole proprietors and partners of unincorporated businesses. Payroll includes all forms of compensation, such as salaries, wages, commissions, dismissal pay, bonuses, vacation allowances, sick-leave pay, and employee contributions to qualified pension plans paid during the year to all employees. For corporations, payroll includes amounts paid to officers and executives; for unincorporated businesses, it does not include profit or other compensation of proprietors or partners. Payroll is reported before deductions for social security, income tax, insurance, union dues, etc.

In the development of the model and in the preparation of analysis, CEDBR assumed and continues to assume, that all information and data provided was and is accurate and reliable. CEDBR does not take extraordinary steps to verify or audit such information but relies on such information and data as provided for purposes of the project.

Limitations

This measurement of the economic activity resulting from healthcare production in the Wichita area is considered a gross impact. The estimates do not include the potential substitution of that could result from other companies entering or exiting the market.

CEDBR acknowledges that additional impacts occur from the existence of health care production in the Wichita metropolitan area. Impacts that are beyond the scope of this study include, but are not limited to: the value of community donations; the value of volunteer time; the value of improved health of the citizens of the community, and community leadership.

Technical Notes Available Online: <http://www.healthcare.cedbr.org>



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