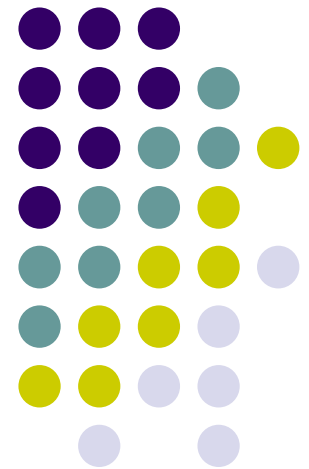


# North Dakota Hospital Association

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Health Care Reform

April 28, 2010



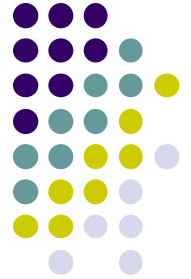


# Health Reform Legislation

- “Patient Protection and Affordable Care Act”
  - House passes Senate version of health reform.
  - Signed in law on March 23, 2010.
  - Majority of legislation begins in 2014.
  - Extends Medicare solvency to 2027.
- Legislation is the largest change to America’s healthcare system since the creation of Medicare and Medicaid.

# Financing

## Over Ten Years



	Amount
Total Cost	\$940 B
Deficit Reduction 2010-2019	\$138 B
Deficit Reduction 2020-2029	1.3 T
Estimated “Hospital” Reductions	\$155 B



# Health Reform Highlights

- Expands coverage to 32 million people by 2019.
- Insurance Reforms
  - No lifetime limits on coverage.
  - No exclusions based on pre-existing conditions.
  - No discrimination based on health status.
  - Non annual limits and coverage of preventive services.
  - No cancellation of insurance coverage when someone becomes sick.



# Health Reform Highlights

- Free Preventative Care under Medicare
  - No co-payments and deductibles.
- Beginning in 2014 expands Medicaid to all individuals with incomes up to 133 percent of federal poverty level.



# Health Reform Reductions

- Key hospital reductions
  - Annual Hospital Inflationary Updates
    - Productivity Adjustments
  - Disproportionate Share Hospital payments
  - Readmissions
  - Hospital Acquired Conditions



# Health Reform Highlight

- **Frontier States Amendment**

- State qualification criteria:
  - 50% of counties in state have a population of less than 6 per square mile.
  - North Dakota, South Dakota, Wyoming, Montana, Utah.
  - Amendment provides additional reimbursement for North Dakota hospitals. \$650 million over 10 years.
  - NDHA analyzing overall net impact to ND which includes reductions contained in the bill.



# Frontier States Amendment

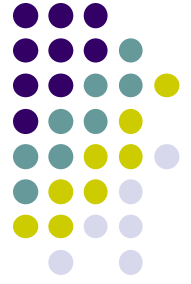
- Prior to Legislation

- North Dakota hospitals ranked near the bottom in Medicare reimbursement but ranked near the top in quality.
- Current Medicare payment formula flawed. Doesn't cover cost of providing service to patients.
- Average Age of Plant for North Dakota hospitals are currently the highest (oldest) in the nation.

- After Legislation

- The amendment brings Medicare reimbursement closer to national average.
- Helps stabilize health care infrastructure in ND.
- Will help maintain great quality healthcare.





# IBL Request

- Bad Debt and Charity Care
  - Bad Debt = 2.44%
  - Charity Care = .71%
  - Total = 3.15%
- Percentages based on Gross Revenue.



# Other

- Economic impact on North Dakota
  - Health Care Industry
    - State's Largest Employer (Non-Government)
    - Estimated one out of every seven employees works in the industry
    - Majority of North Dakota's largest employers are health care providers.
  - Please find attached "The Economic Pulse of North Dakota"
    - A health care impact report.
    - Fall 2008.

# Health Reform

- Questions





# **the Pulse**

of North Dakota

a **HEALTH CARE** impact report

Hospitals & Health Systems

**Fall 2008**

Study Sponsored By

**NDHA**  
North Dakota Healthcare Association

# Acknowledgements

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The research team extends sincere thanks to the many individuals and organizations that provided assistance in conducting the research study. In particular, the executives and staff from the North Dakota Healthcare Association (NDHA) were instrumental in identifying data sources and gathering information utilized in the report.

Special appreciation is extended to Chip Thomas and Karen Haskins from NDHA for providing guidance and support throughout the study, as well as to the staff of NDHA for coordinating the dissemination and collection of survey data.

The research team also acknowledges the healthcare administrators and their designated associates who completed and returned survey questionnaires and other requested documents.

Funding for this study was provided by the North Dakota Healthcare Association Foundation.

For more information or to request additional copies of this report, please contact:

North Dakota Healthcare Association Foundation  
1622 East Interstate Avenue  
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Respectfully submitted,



Michael J. Mabin, President  
Agency MABU



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# Conduct of Study

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## Background Information

In May 2008, Marketing & Advertising Business Unlimited, Inc. (dba Agency MABU), was commissioned by the North Dakota Healthcare Association (NDHA) to conduct a research study to determine the contribution of hospitals and health systems to North Dakota's economy. NDHA conducted similar studies in 1997, 2002 and 2006.

The survey instruments used as part of the most recent studies (2002 and 2006) were similar to the survey instrument used for the 2008 study. Only slight variations in the survey instruments exist from one study to the next. For example, the 2002 study requested detailed information from hospitals relating to the amount of dollars spent in North Dakota as compared to the amount of dollars spent out-of-state. The 2006 and 2008 versions of the survey simply asked respondents to estimate the overall percentage of total dollars spent within the state as compared to the overall total dollars spent out-of-state. Detailed breakouts of expenses were not requested in the most recent surveys.

Both the 2002 and 2006 research studies quantified the economic contribution of the state's 43 community hospitals. The results from the 2002 and 2006 surveys will be compared throughout this report in sections where the data sources are similar.

## Research Methodology

In mid-May 2008, the North Dakota Healthcare Association distributed survey questionnaires to administrators of hospitals in North Dakota (excluding the tribal hospitals (2), specialty hospitals (4) and state-run facilities (1)). Since many clinics and outpatient facilities are owned and operated by hospitals, the data gathered from the NDHA survey captures employment and economic information relating to a high percentage of doctors and other allied health professionals. Therefore, a separate survey was not distributed to clinics in North Dakota.



## Conduct of Study (continued)

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Such a survey may be developed for future studies in order to more fully quantify the total economic impact of the health care industry in North Dakota.

### Hospitals and Health Systems Survey

A cover letter relating to the research study was direct mailed from NDHA to hospital administrators on May 21, 2008. (Appendix A – NDHA cover letter). The mailing included background information explaining the purpose of the survey, as well as a request to return the completed questionnaire by June 13, 2008. (Appendix B – NDHA survey questionnaire).

Of the forty-three (43) community hospitals and health care facilities surveyed, forty (40) facilities (93% response rate) provided all requested information, and three (3) facilities (7% response rate) provided partial information. In other words, not all of the survey questions were completed or returned by these three facilities. In the cases where only partial information was received, additional data sources were used to estimate the missing information (refer to section on additional data sources).

The majority of hospitals and health care facilities responded to the initial request for information. A second request was e-mailed to a handful of hospital administrators in late June 2008. This generated several additional responses; however, follow-up phone calls were made by the staff of the North Dakota Healthcare Association to non-responding facilities in order to generate the above-referenced response rates.

The data provided by participating hospitals as part of the research study represented financial, employment and utilization statistics from 2007.





## Conduct of Study (continued)

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### Additional Data Sources

In order to generate a full report on the contributions of hospitals and health systems to North Dakota's economy, the research team secured additional financial and utilization data from the following sources:

- The American Hospital Association Hospital Statistics, 2007 Edition– a summary of key facts and utilization statistics relating to all hospitals in the United States.
- Guidestar (guidestar.org) - a website providing information on all non-profit organizations operating in the United States. The website includes copies of 990 cost reports for all non-profit hospitals.

The AHA statistics and Guidestar website were used to estimate figures for those hospitals that provided partial data. In most cases, the data from the Guidestar website included financials from each hospital's 990 form - fiscal year 2006. The utilization information from the AHA Hospital Statistics, 2007 Edition, covered statistical information for calendar year 2006.

Additional data sources for this study included:

- Job Service of North Dakota website (<http://www.state.nd.us/jsnd>)
- North Dakota Tax Commissioner website (<http://www.nd.gov/tax/>)
- US Department of Commerce website (<http://www.commerce.gov/>)
- US Census Bureau website (<http://www.census.gov/>)

These websites were referenced to provide statistics relating to employment and economic impacts of community hospitals and health systems serving North Dakota.



### Research Gaps and Limitations

The research findings contained within this report represent a reasonable and realistic estimate of the financial, employment and services impacts of the health care industry on North Dakota's economy. The findings are by no means a definitive or complete representation of the total impact of the health care industry for the following reasons:

- The total population surveyed was incomplete. Not all health care facilities were included as part of the research study. Although hospitals represent a large portion of the health care industry in North Dakota, other organizations such as independent physician offices, rural community health centers, private ambulatory surgery centers, tribal-based hospitals, and rehabilitation facilities were not included as part of the research study.
- There exists a potential for response errors. Although the survey instrument was pre-tested for clarity and understanding, there exists the potential for differing interpretations by the various respondents. For example, different organizations may define the various terms differently (e.g., does "deductions from revenue" include bad debt or not).
- There exists a potential for data analysis error. Although one survey instrument was utilized to gather the majority of information for the research study, additional data sources were also used to create projections and estimates. These data sources contained information from several different time periods. For example, the data obtained from hospital cost reports ranged from 2005 to 2007.

In spite of these research gaps and limitations, the findings represent a sound and true estimate of the significant, positive impact that the health care industry offers to the state of North Dakota and its residents. Based on the survey return rate of 93%, the margin of error is less than 4%. This means that the reported statistics for a particular question may vary at a level of plus or minus 4%.



# Executive Summary

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A total of 43 community hospitals provide North Dakota residents with a comprehensive array of health services. These health care providers contribute significantly to the overall stability and viability of the state. Community hospitals provide positive impacts relating to financial, employment and patient care indicators. The research study which follows is titled "The Pulse of North Dakota." It was conducted in 2008 to assess the contributions made by community hospitals to the economy of North Dakota. Key research findings include:

- According to the 2008 Pulse Survey, community hospitals contribute an estimated \$1.8 billion dollars in direct impacts to North Dakota's economy, an increase of about \$435 million dollars from the 2006 report. This represents a 32% increase in the contribution of community hospitals to the state's economy.
- The vast majority of dollars spent by community hospitals remain in North Dakota. On average, 76% of the dollars remain in the state, while the remaining 24% go to out-of-state sources for equipment, supplies and other resources.
- According to the 2008 Pulse Survey, community hospitals in North Dakota employ an estimated 11,784 full-time employees and 7,019 part-time employees. Thus, over 18,800 people are employed by community hospitals. This represents an estimated 15,398 full-time equivalent jobs.
- According to Job Service North Dakota, community hospitals paid their employees an average wage of \$41,964 per year as of the first quarter of 2008. This average wage is considerably higher (24%) than the statewide worker average of \$33,904 per year.
- According to Job Service North Dakota, the annual average employment for all business sectors in North Dakota as of the first quarter of 2008 was 340,910 workers. Health care and social assistance represents the state's largest non-government employment sector. Roughly 14% of all workers in North Dakota are employed by a health care organization. About 5.5% are employed by community hospitals. Furthermore, seven of the top 10 largest employers in the state are health care providers.
- Community hospitals provided care during 2007 for approximately 90,000 inpatients, 276,000 emergency room patients and over one and a half million outpatients. Based on these figures, each year roughly one out of every seven residents is admitted to a community hospital, and one out of every three residents requires a visit to a hospital emergency room. Moreover, every North Dakota resident had an average of approximately two outpatient encounters with community hospitals in 2007.



# Introduction

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## **The Pulse of North Dakota**

Conducted On Behalf Of:

North Dakota Healthcare Association

Bismarck, North Dakota

Researched And Reported By:

Michael Mabin, Research Director

Marketing & Advertising Business Unlimited, Inc.

Bismarck, North Dakota.

Hospitals are North Dakota's "heart and soul." They represent the pulse of the state, both literally and figuratively. They advance the health and well-being of people and communities throughout the state in many ways: physically, emotionally, spiritually and economically.

Over the years, hospitals have fulfilled a mission of healing and wellness. They stand ready to serve 24 hours/day, 7 days/week. They provide assistance during some of the most trying times in life. They offer quality health care to all people regardless of their social or financial status. For these and other reasons, the total impact that hospitals have on North Dakota is difficult, if not impossible, to measure.

Never the less, it is important to quantify the significant contributions that hospitals make toward North Dakota's economy from a financial, employment and patient care perspective. In most communities, hospitals are the largest employers and sources of new revenues (e.g., federal transfer payments from Medicare and Medicaid). Therefore, the long-term viability of a community is often dependent upon the economic stability of the local hospital.



# Objectives

---

The purpose of this study was to estimate the contribution of community hospitals to the economy of North Dakota. Specific objectives included:

- 1) Estimate the economic impacts of community hospitals.
- 2) Estimate the employment impacts of community hospitals.
- 3) Estimate the patient care impacts of community hospitals.

# Findings

---

This research study documents the contribution of hospitals to North Dakota's economy from three distinct perspectives: financial, employment and patient care impacts.

## Financial Impacts

Financial impacts were determined using information provided through the survey questionnaire that was completed by hospital administrators and/or their designated representative. Of the 43 community hospitals surveyed, 40 facilities responded to the survey by providing complete data, whereas the other three facilities provided partial data. Hospital administrators were also asked to estimate the amount of in-state and out-of-state expenditures for their most recently completed fiscal year.

Additional financial information was gleaned from each hospital's tax report to the Internal Revenue Service (Form 990 for non-profit hospitals). In the majority of cases, the most recent financial report on file covered the 2007 calendar year.

### **Gross Revenue and Deductions**

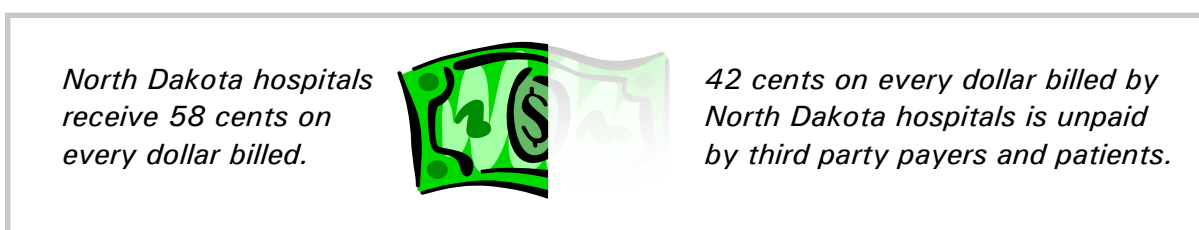
According to the 2008 Pulse Survey, community hospitals in North Dakota generated over \$3.1 billion dollars in gross revenue. This is the amount of money that hospitals billed to patients, insurance companies and other payers for services rendered.



## Findings (continued)

Like other industries, not all bills that are submitted by hospitals to their customers are paid in full. The health care industry is hit especially hard by this phenomenon. Third party payers, such as the federal government and insurance companies, typically pay hospitals based on pre-established, fixed rates of reimbursement.

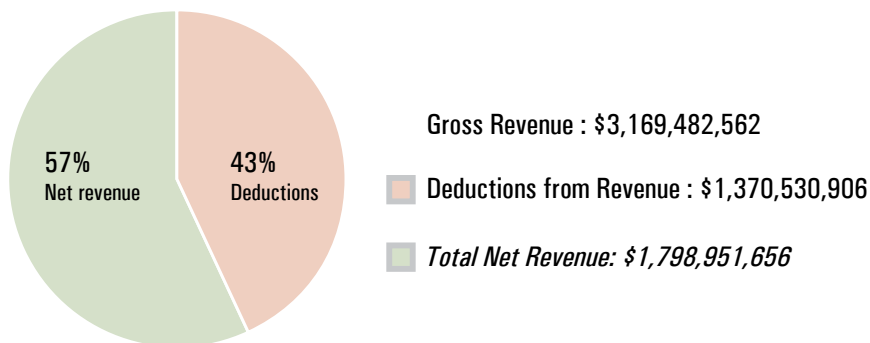
These reimbursement rates are considerably lower than the actual amount billed by hospitals to the third party payers. As a matter of fact, the deductions from revenue reported in the 2008 Pulse Survey totaled over \$1.3 billion dollars, an astounding 42% less than actual billed charges. In other words, community hospitals in North Dakota were paid fifty eight cents (58%) on every dollar billed for serviced rendered.



### Net Revenue

With gross revenues totaling over \$3.1 billion dollars and deductions from revenue totaling over \$1.3 billion dollars, the (actual) net revenue generated by community hospitals in North Dakota as reported in the 2008 Pulse Survey was an estimated \$1.8 billion dollars.

**Figure 1 : Hospitals Generate \$1.8 Billion Annually**



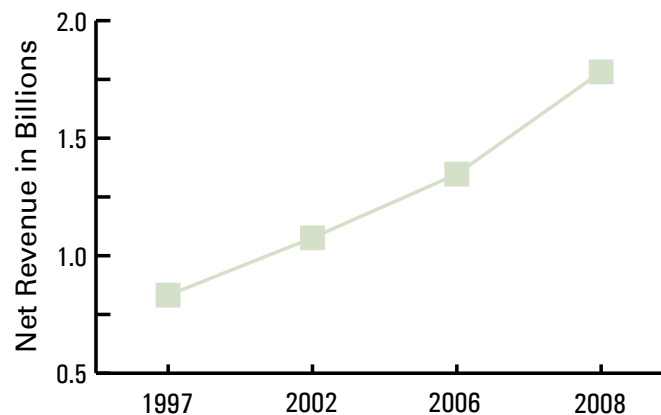
2008 Pulse Survey	Amount
Gross Revenue	\$3,169,482,562
Deductions from Revenue	(-\$1,370,530,906)
Net Revenue	\$1,798,951,656



## Findings (continued)

Total net revenues for community hospitals in North Dakota have grown substantially when compared to the results of prior economic impact surveys conducted by NDHA. Since 1997, the net revenue generated by community hospitals in North Dakota has more than doubled. In just the last two years alone, total revenues have increased by \$435 million dollars, a growth in revenue of thirty percent (32%).

**Figure 2 : Hospital Revenues Have Doubled in Past Decade**



	Total Annual Net Revenues	% Of Growth From One Survey To The Next
1997 Survey	\$832,000,000	N/A
2002 Survey	\$1,076,000,000	29%
2006 Survey	\$1,347,000,000	25%
2008 Survey	\$1,782,000,000	32%

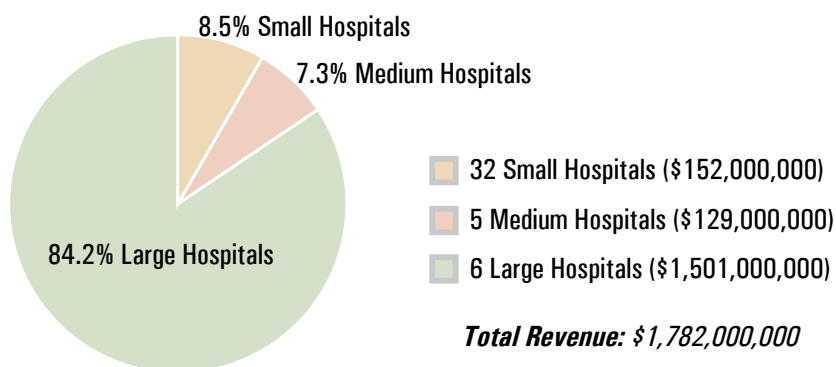
These numbers are consistent with statistics that are tracked and reported by the American Hospital Association on an annual basis. The 2007 AHA Hospital Statistics publication reports that community hospitals in North Dakota generated \$1.2 to \$1.5 billion annually in net revenues between 2002 – 2005.



## Findings (continued)

The vast majority of net revenues were generated by facilities located in larger communities throughout the state. The six largest hospitals in four major cities (Fargo, Grand Forks, Minot and Bismarck) accounted for 84.2% of total revenues. The five medium-sized hospitals in the state (Jamestown, Williston, Dickinson, Devils Lake and Hettinger) accounted for 7.3% of total revenue. The remaining 32 hospitals located in rural communities throughout the state accounted for 8.5% of total annual revenues.

**Figure 3 : Six Largest Hospitals Account for 84% of Total Revenues**



*Source: NDHA Survey. 2008.*

Much of the revenue generated by North Dakota hospitals represents new wealth to the state. New wealth associated with community hospitals comes from federal transfer payments for medical services (e.g., Medicare, Medicaid) and revenues for medical services provided to out-of-state residents (e.g., Minnesota or South Dakota residents seeking treatment in North Dakota).

For most North Dakota hospitals, the percentage of Medicare and Medicaid reimbursement ranges from 60-80% of total revenues. This means that of the \$1.8 billion dollars that are generated annually by community hospitals, over a billion dollars in new money is brought into the State each year from out-of-state residents and federal programs.

### Total Expenses and Net Returns

According to the 2008 Pulse Survey, community hospitals in North Dakota spent nearly the same amount of money as they generated in net revenue. Total annual expenditures amounted to \$1.78 billion dollars. Such expenses are used to pay for personnel, supplies, equipment and facilities needed to operate community hospitals.





## Findings (continued)

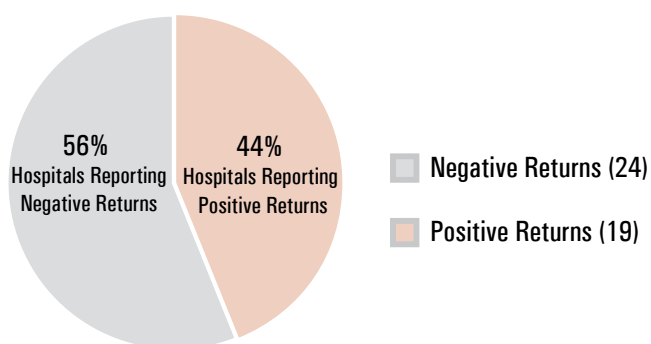
With revenues and expenses nearly identical to one another, the net return for hospitals as reported in the 2008 Pulse survey totaled an estimated \$16.2 million dollars. Even though this figure represents a significant amount of money, the percentage is less than a 1% (.009) of the total net revenue generated by community hospitals.

North Dakota hospitals typically experience lower net returns than other hospitals across the nation. According to the American Hospital Association 2007 annual statistics report, U.S. hospitals averaged a positive net return of 3% during the most recent five-year reporting period (2002-2006).

The net return represents the bottom line dollars that are needed by hospitals to improve their facilities, purchase new equipment, expand services and keep pace with inflationary factors (e.g., raises for employees and increased costs for supplies). When net returns are inadequate, hospitals are forced to tap into their retained earnings (savings) and/or seek additional financing to sustain their operations and facilities.

Although North Dakota hospitals reported an overall positive bottom line on a cumulative basis, many individual hospitals had a negative net return. In other words, they spent more money than they generated in annual revenue. Of the 43 hospitals surveyed in 2008, a total of twenty four (24) facilities (56%) reported negative net returns.

**Figure 4 : 24 Individual Hospitals Report Negative Returns**



The number of hospitals reporting negative net returns has remained relatively consistent with the prior report (2006). At that time, 23 of the 43 hospitals surveyed (53%) reported having negative net returns. The difference in financial performance between the various hospitals may be attributed to many factors including, but not limited to, reimbursement from Medicare and other third party payers, scope of services offered, market share, capital improvements and operational costs. Negative net returns affected all types of hospitals regardless of size or geographic location.



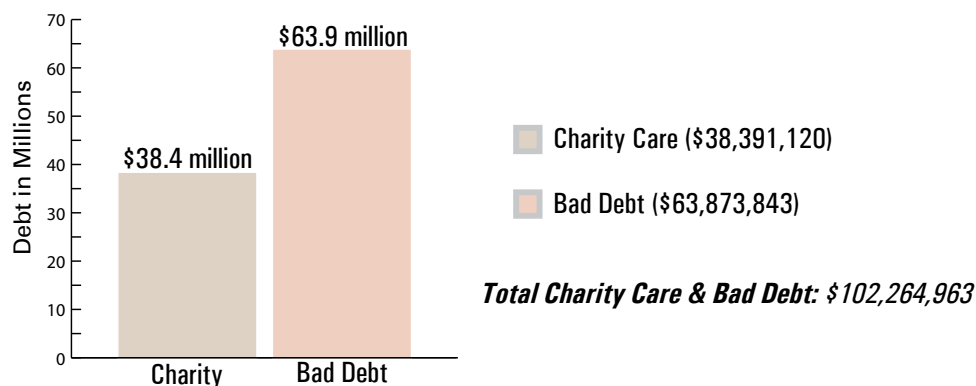
## Findings (continued)

### Charity Care and Bad Debt

As socially-responsible organizations, community hospitals provide needed services to patients, such as emergency and trauma care, regardless of an individual's financial standing or ability to pay. With this in mind, according to the 2008 Pulse Survey, community hospitals provided over \$38 million dollars in charity care during 2007 to people who were unable to pay for services rendered.

Additionally, community hospitals had an estimated \$64 million dollars in bad debt during 2007. Bad debt is defined as a bill to a payer that is deemed to be uncollectible. This determination is made after all attempts have been pursued to collect on the debt. The debt, once considered to be bad, is written off by the hospital as an expense.

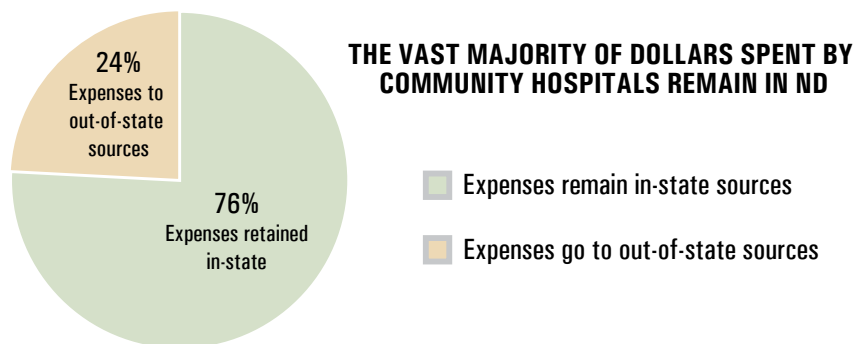
**Figure 5 : Charity Care & Bad Debt Expenses**



### Dollars Spent in North Dakota

According to the 2008 Pulse survey, the vast majority of all expenses incurred by community hospitals are spent in North Dakota. On average, 76% of the dollars remain in the state, while the remaining 24% of expenses go to out-of-state sources for supplies, equipment and other items needed to operate community hospitals.

**Figure 6 : Hospitals Spend Majority Of Dollars In-State**



Source: NDHA Survey. 2008.

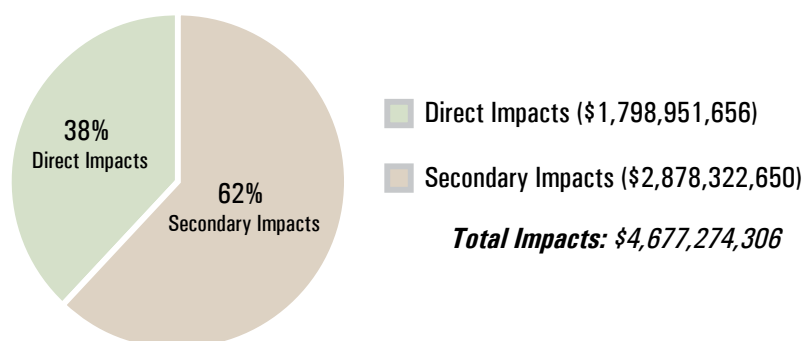


## Findings (continued)

### Direct and Secondary Economic Impacts

Direct economic impacts to a region are typically defined as the amount of dollars spent by a particular industry, plus the retained earning (net return). Therefore, when it comes to quantifying the impact of community hospitals on the State's economy, the direct impact based on the 2008 Pulse Survey is an estimated to be \$1.8 billion dollars.

**Figure 7 : Direct and Secondary Impacts Total Over \$4.6 Billion**



2008 Pulse Survey	Amount
Total Expenses	\$1,782,674,140
Net Return	\$16,277,516
Direct Impacts	\$1,798,951,656
Secondary Impacts	\$2,878,322,650
Total Impacts	\$4,677,274,306

In keeping with other economic impact studies conducted in North Dakota, this report will utilize input/output analysis (e.g., the amount of spending and re-spending in an economy) to estimate the secondary effects of community hospitals on North Dakota's economy. Secondary impacts are often referred to as the "multiplier or ripple effect." This takes into account the total business activity resulting from subsequent rounds of re-spending that occur within an economy (Coon et al. 1985).

This process of spending and re-spending can be explained by using an example. A single dollar paid by a hospital to an employee (Households sector) may be spent for a loaf of bread at the local store (Retail Trade sector). The store uses part of that dollar to pay for the next shipment of bread (Transportation and Agricultural Processing sectors) and part to pay the store employee (Households sector) who shelved or sold the bread. The bread supplier uses part of that dollar to pay for the grain used to make the bread (Agriculture-Crops sector)... and so on (Hamm et al. 1993). The impact of the initial dollar has "multiplied" to create additional economic impact.



## Findings (continued)

This is considered to be the secondary impact attributable to the original industry. (*Dean A. Bangsund and F. Larry Leistritz, Economic Contribution of the Petroleum Industry to North Dakota, 2007*)

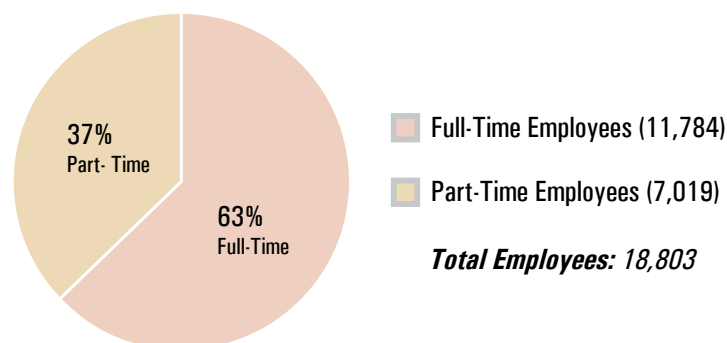
In order to determine the secondary impact on North Dakota's economy, a multiplier of 1.6 will be used to estimate the additional business volume generated by the hospital industry. (*Note: this is a typical output multiplier as identified and determined by the U.S. Bureau of Economic Analysis, and the Kansas Long-Term Model (or KLTM), a dynamic input-output model under development at the Institute for Public Policy and Business Research*).

As previously stated, direct impacts for community hospitals as documented in the 2008 Pulse Study totaled \$1.78 billion dollars. When multiplied times 1.6, the secondary impacts are estimated to generate an additional \$2.87 billion dollars in economic activity. Thus, gross business volume (direct and secondary effects) attributable to community hospitals in the 2008 report is estimated to be nearly \$4.7 billion annually.

### Employment Impacts

According to the 2008 Pulse Survey results, community hospitals in North Dakota directly employed 11,784 full-time employees and 7,019 part-time employees. Thus, a total of over 18,800 people were directly employed by community hospitals in 2007. This represented an estimated 15,379 full-time equivalent (FTE) hours.

**Figure 8 : Hospital Employees**



### **Employment Statistics Are Consistent with Other Data Sources**

These figures are consistent with the most recent employment information reported in the 2007 AHA Hospital Statistics publication. For 2005, the AHA reports a total of 11,072 full-time and 7,274 part-time employees work at community hospitals in North Dakota. Thus, the total combined employment reported by AHA for 2005 is 18,346 workers.



## Findings (continued)

Furthermore, when comparing these numbers to statistics collected by Job Service North Dakota, the employment figures are also quite similar. For the most recent reporting year (2006), Job Service North Dakota reports the total employment (full and part time) for hospitals in North Dakota is 17,132 workers. Within the next 10 years, Job Service estimates the need for hospital employees to grow to approximately 1 % annually.

### Hospital Salaries Are 24% Higher Than the Statewide Average

Job Service reports the average annual wage for hospital workers to be \$41,964 as of the first quarter of 2008. This average wage is considerably higher (24%) than the statewide worker average of \$33,904/year.

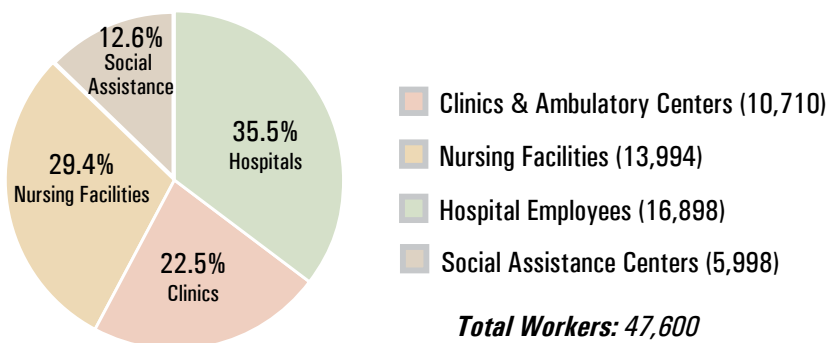
### An Estimated 5.5% of All Workers in North Dakota are Employed by Hospitals

Job Service of North Dakota reports the total average level of employment in North Dakota to be 340,910 workers as of the first quarter of 2008. Using statistics from the 2008 Pulse Report, an estimated 5.5% of all workers in North Dakota are directly employed by community hospitals.

### Healthcare Industry Comprised of Four Main Sectors

The annual 2007 employment estimates from Job Service of North Dakota indicate that the health care and social assistance sector employs 47,600 workers. Hospital employees account for 35.5% of this sector, whereas the remaining workers are employed at nursing facilities (29.4%), clinics and ambulatory centers (22.5%) and social assistance centers (12.6%).

**Figure 9 : 4 Main Sectors of Healthcare Industry**



*Source: Job Service of North Dakota website. 2008.*



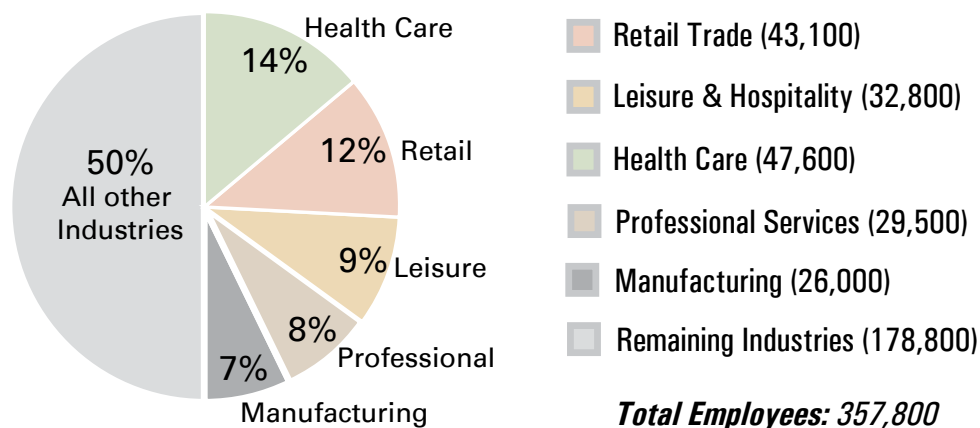
## Findings (continued)

Note: The health care and social assistance sector is composed of the following: ambulatory health care services (offices of physicians, dentists, other health practitioners, outpatient care centers, medical and diagnostic laboratories, home health care services and other ambulatory health care services); Hospitals (general medical and surgical hospitals and psychiatric and substance abuse hospitals/other hospitals); nursing and residential care facilities (nursing care facilities, residential mental health facilities, community care facilities for the elderly, other residential care facilities) and social assistance (individual and family services, emergency and other relief services, vocational rehabilitation services and child day care services).

### Health Care Is North Dakota's Largest Non-Government Employer

According to Job Service of North Dakota, the annual average employment for all business sectors in North Dakota during 2007 was 357,800 workers. Health care and social assistance represents the state's largest employment sector. Roughly 14% of all workers in North Dakota are employed by a health care organization.

**Figure 10 : Health Care and Social Assistance - State's Largest Employing Industry**



Source: Job Service of North Dakota website. 2008.

Furthermore, Job Service of North Dakota reports that seven of the top 10 largest employers in the state are health care providers.



**Figure 11 : Majority Of North Dakota's Largest Employers Are Health Providers**

Rank	Firm/Organization	Location	Industry
1	Non-disclosed	Non-disclosed	Non-disclosed
2	Altru Health Systems	Grand Forks	General Medical & Surgical Hospitals
3	Meritcare Hospital	Fargo	General Medical & Surgical Hospitals
4	Trinity Health	Multiple	General Medical & Surgical Hospitals
5	Medcenter One	Multiple	General Medical & Surgical Hospitals
6	St. Alexius Medical Center	Bismarck	General Medical & Surgical Hospitals Health Care
7	Bobcat	Multiple	Construction Machinery Manufacturing
8	Nordian Mutual Insurance Company	Multiple	Direct Health & Medical Insurance Carriers
9	Meritcare Medical Group	Multiple	Offices of Physicians, Except Mental Health
10	Meritcare Health Systems	Fargo	Corporate Offices

*Source: Job Service of North Dakota website. 2008. ND's largest employers based on First Quarter of 2008 numbers reported to the Quarterly Census of Employment and Wages program.*



## Findings (continued)

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### Hospitals Especially Critical in Rural Areas

In rural areas, hospitals are often either the largest or second-largest employer, behind the school system. Rural hospitals provide a source of high-tech jobs for young people who might otherwise leave communities heavily dependent upon agriculture. Rural hospitals also provide an anchor for other health care jobs, such as physicians and pharmacists, which, in the absence of the hospital, may not be available.

### Direct and Secondary Employment Impacts

By all accounts, whether one uses the 2008 Pulse Survey, 2007 AHA Statistics Guide, or Job Service North Dakota website, the hospital industry directly employs approximately 18,000 workers. The hospital industry also has a secondary employment impact on other related industries.

Secondary employment is a term used to describe jobs that are created and supported by the volume of business activity generated by an industry, but does not include jobs that are part of that industry. Direct employment and secondary employment are two distinctly different measures. Productivity ratios were used with estimates of business activity in various sectors of the North Dakota economy to obtain estimates of secondary employment.\* As previously stated, the hospital industry in North Dakota was estimated to generate an additional \$2.9 billion in secondary business activity, which was sufficient to support 24,952 FTE jobs. (*Dean A. Bangsund and F. Larry Leistritz, Economic Contribution of the Petroleum Industry to North Dakota, 2007*).

Another method to determine the secondary employment impact of North Dakota's hospitals is to use multiplier of 1.9. Using this formula, the estimated secondary employment impact of the hospital industry is 34,200 additional jobs. (*Note: this is a typical employment multiplier as identified and determined by the U.S. Bureau of Economic Analysis, and the Kansas Long-Term Model (or KLTM), a dynamic input-output model under development at the Institute for Public Policy and Business Research*).

\* A measure of the amount of business activity needed in an economic sector to support one full-time equivalent (FTE) job.



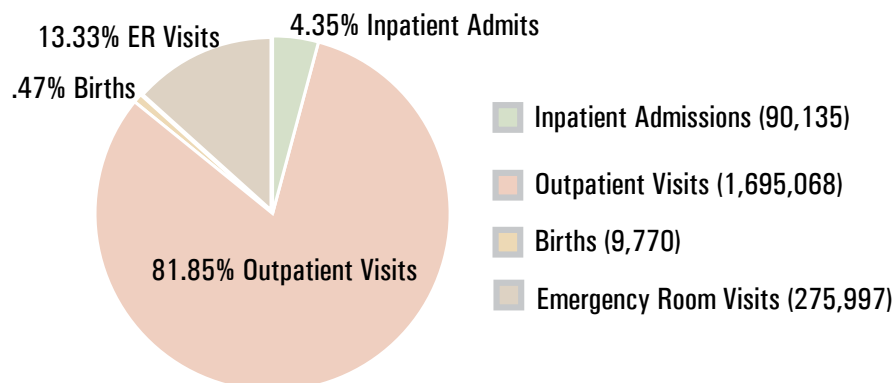


## Findings (continued)

### Patient Care Impacts

As part of the 2008 Pulse Survey, hospital administrators were asked to provide utilization statistics pertaining to key service offerings. They estimated the number of total inpatient admissions, outpatient visits and emergency room visits and births for 2007.

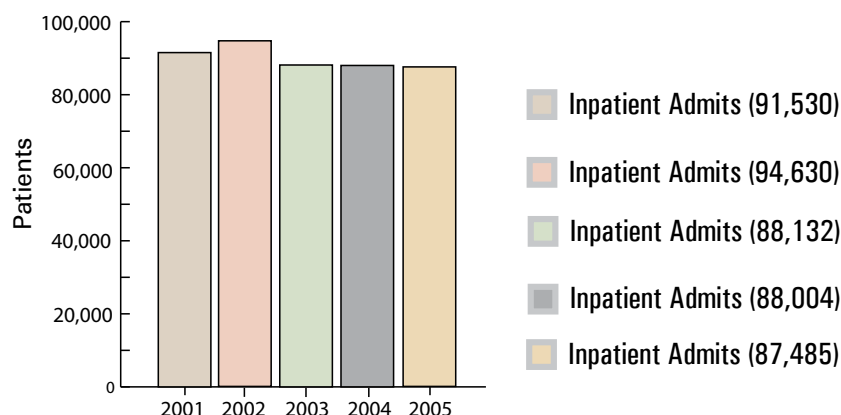
**Figure 12 : Key Service Offerings**



### **Inpatient Admissions**

According to the 2008 Pulse Survey, a total of 90,135 inpatients were admitted to community hospitals in North Dakota. This level of activity is consistent with inpatient utilization that is tracked and reported annually by the American Hospital Association.

**Figure 13 : Hospitals Care For Over 90,000 Inpatients Annually**



*Source: AHA Hospital Statistics, 2007.*

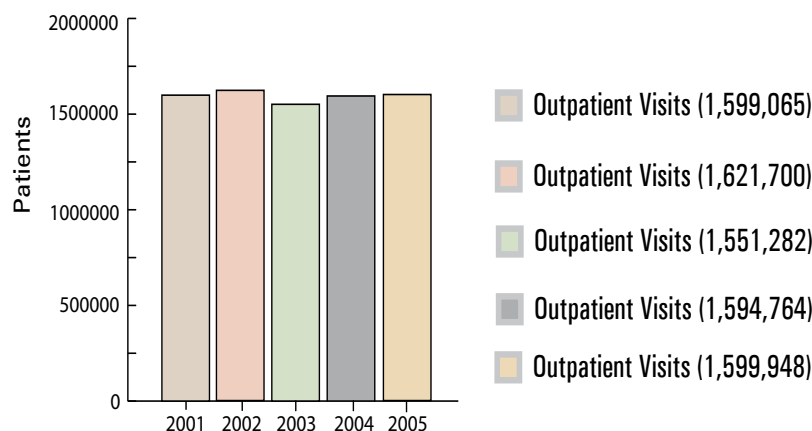


## Findings (continued)

### Outpatient Visits

According to the 2008 Pulse Survey, a total of 1,695,068 million outpatient visits were received at community hospitals in North Dakota. This level of activity is consistent with outpatient utilization that is tracked and reported annually by the American Hospital Association.

**Figure 14 : Hospitals Care For Nearly 1.7 Million Outpatients Annually**

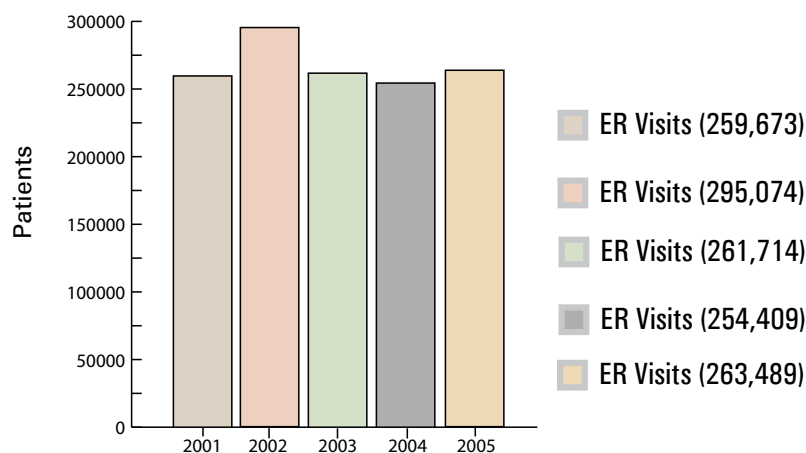


*Source: AHA Hospital Statistics, 2007.*

### Emergency Room Visits

According to the 2008 Pulse Survey, a total of 275,997 emergency room visits were received at community hospitals in North Dakota. This level of activity is consistent with emergency room utilization that is tracked and reported annually by the American Hospital Association.

**Figure 15 : Hospitals Care For Nearly 276 Thousand ER Patients Annually**



*Source: AHA Hospital Statistics, 2007.*

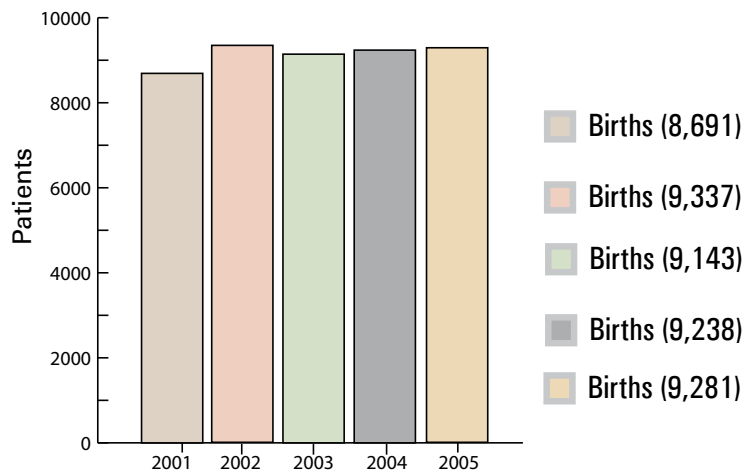


## Findings (continued)

### Births

According to the 2008 Pulse Survey, a total of 9,770 births were delivered at community hospitals in North Dakota. This level of activity is consistent with the total number of births that are tracked and reported annually by the American Hospital Association.

**Figure 16 : Hospitals Host The Delivery Of Nearly 10,000 Births Annually**



*Source: AHA Hospital Statistics, 2007.*

Based on the preceding figures, roughly one out of every seven residents was admitted to a community hospital, and one out of every three residents required a visit to a hospital emergency room. Moreover, every North Dakota resident had an average of approximately two and a half outpatient encounters with community hospitals in 2007.



## Conclusion

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Combining medical technology and the human touch, community hospitals in North Dakota offer care around the clock, responding to the needs of people – from newborns to the critically ill.

The impact that community hospitals have on North Dakota's economy is significant. Community hospitals directly infuse over 1.8 billion dollars into the economy annually.

Community hospitals in North Dakota also contribute to the economy as one of the state's largest employers. According to Job Service of North Dakota, approximately 18,000 workers are employed by community hospitals. This represents approximately 5.5% of the state's total workforce. When combined with the total health care sector in North Dakota, community hospitals and other health care providers make up 14% of the total workforce. In other words, one out of every seven workers in North Dakota is employed in the health care sector.

Lastly, community hospitals have a positive impact on the state by providing quality health care services to people in need. In 2007, community hospitals directly touched the lives of each and every resident in the state by providing nearly 1.8 million inpatient, outpatient and emergency room encounters. Roughly one out of every seven residents was admitted to a community hospital, one out of every three residents required a visit to a hospital emergency room, and every North Dakota resident had an average of approximately two outpatient encounters with community hospitals in 2007.

The AHA cites other ways hospitals support their communities--offering community services such as health screenings and outreach education, providing charity care and other care for which no payment is received, and subsidizing the care of Medicaid patients. According to the 2007 survey, North Dakota hospitals provided over \$38 million dollars in charity care. As nonprofit organizations, this mission of service is evidenced by providing citizens with required hospital care.

Hospitals serve as foundations for the stability and viability of local communities. They are often the region's largest employer, bringing new wealth to the community while providing life-saving and health-enriching services.



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# Appendix A:

## Hospital “Impact” Letter & Questionnaire





DATE: May 21, 2008

TO North Dakota Hospital Administrators/CEOs

FROM: Arnold "Chip" Thomas

RE: Information Needed for Economic Impact Study

Greetings:

The NDHA is gathering information for a research study to document the economic impact North Dakota hospitals have on the State's economy. We request your assistance and ask that an appropriate representative from your hospital complete a short survey to provide statistics on financials, employment and patient visits.

The information your hospital provides will be compiled, analyzed and reported in a similar fashion as compared to the previous study, "Healthcare and Beyond: Contributions of Hospitals to North Dakota's Economy," which was conducted in 2006 by Agency MABU, an independent market research company in Bismarck. An executive summary of the 2006 report is included for your reference.

Agency MABU will again be conducting the 2008 study, results of which will be used by NDHA and you to communicate the significant role that hospitals play in keeping North Dakota communities healthy, strong and economically vibrant. Additional resources are being utilized to gather data from 990 reports, Job Service North Dakota and the North Dakota Tax Department.

Please complete the enclosed survey and return by Friday, June 13, 2008, via email to Lori at [Ischmautz@ndha.org](mailto:Ischmautz@ndha.org) or FAX 701-224-9529.

Thank you for your assistance and prompt reply.



the Pulse of North Dakota



NORTH DAKOTA HOSPITAL

2008 ECONOMIC IMPACT SURVEY

*The following statistics are for the fiscal year ending:* \_\_\_\_\_

Total gross revenue: \_\_\_\_\_

Deductions from revenue: \_\_\_\_\_

*(Not including charity care or bad debt)*

Total charity care: \_\_\_\_\_

Total bad debt: \_\_\_\_\_

Total net revenue: \_\_\_\_\_

Total expenses: \_\_\_\_\_

Estimated percent of total expenditures retained in ND: \_\_\_\_\_

Total inpatient admissions: \_\_\_\_\_

Total outpatient visits: \_\_\_\_\_

Total emergency room visits: \_\_\_\_\_

Total births: \_\_\_\_\_

Total full-time employees: \_\_\_\_\_

Total part-time employees: \_\_\_\_\_

Total full-time equivalents (FTEs): \_\_\_\_\_

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(Facility name)

(Name/title of individual completing survey)

Please complete this survey and return to NDHA by Friday, June 13, 2008, via email to Lori at [Ischmautz@ndha.org](mailto:Ischmautz@ndha.org) or via FAX at 701-224-9529. Thank you.



of North Dakota



# Appendix B:

## Participating Facilities



# Participating Facilities

## **Participating Facilities – Full Report**

Ashley Medical Center – Ashley  
Medcenter One – Bismarck  
St. Alexius Medical Center – Bismarck  
St. Andrew's Health Center – Bottineau  
Southwest Healthcare Services – Bowman  
Towner County Medical Center – Cando  
Pembina County Memorial Hospital – Cavalier  
Carrington Health Center – Carrington  
Cooperstown Medical Center – Cooperstown  
St. Luke's Hospital – Crosby  
Mercy Hospital – Devils Lake  
St. Joseph's Hospital & Health Center – Dickinson  
Jacobson Memorial Hospital - Elgin  
Innovis – Fargo  
Meritcare - Fargo  
Garrison Memorial Hospital – Garrison  
Unity Medical Center – Grafton  
Altru – Grand Forks  
St. Aloisius Medical Center – Harvey  
Sakakawea Medical Center – Hazen  
West River Regional Medical Center – Hettinger  
Hillsboro Medical Center - Hillsboro  
Jamestown Hospital – Jamestown  
Kenmare Medical Center – Kenmare  
Cavalier County Memorial Hospital – Langdon  
Linton Hospital – Linton  
Lisbon Medical Center – Lisbon  
Union Hospital - Mayville  
Trinity Medical Center – Minot  
Northwood Deaconess Health Center – Northwood  
Oakes Community Hospital – Oakes  
First Care Health Center – Park River  
Presentation Medical Center – Rolla  
Heart of America Medical Center – Rugby  
Mountrail County Medical Center – Stanley  
Tioga Medical Center – Tioga  
Mercy Hospital – Valley City  
McKenzie County Memorial Hospital – Watford City  
Mercy Hospital – Williston  
Wishek Community Hospital - Wishek

## **Participating Facilities – Partial Report**

Nelson County Health System – McVille  
Richardton Health Center – Richardton  
Community Memorial Hospital – Turtle Lake



**the Pulse** of North Dakota