



METROPOLITAN
MEDICAL SOCIETY
of GREATER KANSAS CITY

2008 Economic Footprint Study

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Background and Objectives

The purpose of the 2008 Metro Medical Economic Footprint study is simple in its presentation but profound in its underlying impact. It has long been known that the medical profession has a significant impact on the local economy. However, all information up to this point has treated healthcare as a whole and as such has largely discounted the portion of the total that is comprised by the actual physician practices. As a result the overall numbers for an area may be accurate but the ability to extract the actual physician practice impact has been minimal.

This study was designed to gather the necessary data that would allow an analysis to be completed that would quantify the overall economic impact of only physician practices. In this case, the information from hospitals, universities, etc would be excluded so that the impact of physicians could be better understood.

Methodology

To conduct this study, information was gathered from a population of 4,428 physicians representing 356 practices and hospitals in the Kansas City MSA. This data was gathered as part of another study related to physician attrition. Additional data was gathered from respondents who agreed to provide deeper financial disclosure. The combination of these two sources of data creates the information shown in these pages. This data was gathered during the months of June 30 through September 15, 2008. Data was based on the 2007 calendar or fiscal year.

For the purpose of the economic footprint study the hospital data was suppressed.

Each practice was asked a number of questions to gather information pertaining to three primary categories of their operations. Those three areas are shown here as: Office Economics, Patient Care Economics, and Community Impact.

Office Economics

The purpose of the Office Economics section of this study is to gain a more full understanding of the economic impact generated by physicians' offices. For the purpose of this study, the office economics section specifically explores the following concepts:

- Number of employees and employee to physician ratios
- Payroll/benefits generated
- Local, state and federal taxes paid annually
- Operating expenses
- Capital and fixed assets

Employees and Employment

When we review the information for physician practice staffing we find quite a few interesting elements. Physician practices typically follow the same staffing and impact profile as for any other small business. For instance, the typical physician practice has 4.03 physicians working together. While there are certainly larger practices in the area the most common practice model has about 4 physicians.

For each physician working in a practice an additional 3.82 full-time employees are hired as well as an additional 0.51 part time people.

Given these facts we can paint a picture of a typical practice having the following staffing attributes:

Typical KC Practice Staffing	
Physicians:	4
Full time staff:	15
Part time staff:	2

However, this number is understated in some ways since many practices have a disproportionate number of physicians practicing. Instead of having four physicians these practices may have several dozen or more. Furthermore, when looking at the staffing ratios for these practices we find that they are also much higher than the typical practice. For instance, a practice with 20 or more physicians will have a staffing ratio of approximately 8 full time staff for each physician.

This leads to a full time workforce of approximately 21,000 employees and a part time workforce of approximately 3,200 employees. If we consider the physicians who are also working in these practices we have an additional 4,000 full time physicians and 500 part time physicians.

Wages, Taxes and Capital

The average compensation, including benefits, for a healthcare professional in the Kansas City area is \$102,537. As a result, the staffing in the Kansas City area gives us an overall payroll for the physicians' offices of \$2,751,000,000.

However, the payroll only begins to tell the story of the office economics because there is a significant investment in facilities that must take place for a physician to open a practice. Specifically for the Kansas City area we find that, on average, there is a \$43,242 capital investment for each physician practicing in an office setting. As a result, we find that there is a capital investment in the area of \$191,433,000 that is further enhanced by operating expenses to the practice of \$240,558 per physician leading to a total of \$1,064,000,000 in impact for the operating expenses.

In addition to the direct financial input in the form of expenses and payroll we must also consider the taxes paid by the practices as well. For this measure we find that there is a tax generation to the practice of approximately \$45,763 per physician for a total tax impact of \$202,593,000.

Practice Economics Summary

\$2.7 billion in payroll annually

\$191 million in capital investment

\$1.0 billion in operating expenses annually

\$202 million in taxes annually

Patient Impact

Continuing our exploration to understand the impact of physician practices in the Kansas City area we now turn our attention to an area we call Patient Impact. Patient impact is designed to explore and quantify the amount of uncompensated care that is dispensed annually by local physicians.

For this section of the study our attention primarily is focused on Medicaid Patients where the compensation does not equate to the charges billed by the physician. For this measure we asked the physicians to quantify the number of patients, total billed charges and actual reimbursement. The same measures were applied to services rendered for uninsured patients as well.

While the number of Medicaid patients seen varied widely between specialties our research showed on average a physician sees approximately 127 Medicaid patients annually for a economic loss of approximately \$363,683 per physician.

Furthermore, each physician typically treats approximately 78 uninsured patients for an annual loss of \$155,183.

Patient Impact Summary

Typical KC Physician:

Treats 127 Medicaid Patients for a loss of \$363,683 annually

Treats 78 Uninsured Patients for a loss of \$155,183 annually

Community Impact

It has long been believed that beyond the direct impact physicians make on a community through their work and their businesses that they also make a significant contribution to the overall economy through their charitable giving and through giving of their time for which they are not compensated.

To gain a greater understanding and quantification of this belief we asked several questions related to the community involvement of physicians. Specifically we looked at the following:

- Community donations made (in dollars)
- Educational donations made (in dollars)
- Non-Medical community service hours
- Medical community service hours

Donations made

For this measure we reviewed the community and educational dollars that are given annually by physicians in the community. For this measure we find that physicians tend to donate approximately \$1,244 annually to non-educational, non-profit causes. This makes for a community impact of \$5,557,000.

However, their educational donations are almost two and a half times greater totaling \$3,118 per physician annually for a community impact of \$13,807,000.

Community Service

Doctors are similarly generous with their time and we find that doctors tend to donate their time to both medical and non-medical causes. The doctors we surveyed volunteer approximately 10 hours monthly which is almost equally split between medical and non medical causes. This totals more than 531,240 hours of volunteer time per year for an economic impact of \$124,496,000.

Community Impact Summary

\$5.5 million in annual non-educational donations

\$13.8 million in annual educational donations

Over 500,000 hours of volunteer work annually worth more than \$124 million