

ECONOMIC IMPACT OF THE CARO CENTER

A Tuscola County Analysis

Tuscola County Economic Development Corporation



Economic Impact of the Caro Center

Purpose and Background

Governor Snyder has placed \$115 million dollars for the construction of a new psychiatric hospital in the current proposed budget for Michigan. The proposed psychiatric hospital construction does not state the location of the new construction.

The Caro Center is located in Indianfields Township in Tuscola County and was first established in 1914. It is presently a State of Michigan Psychiatric Hospital and the second largest employer in Tuscola County. The Caro Center currently employs 349 professionals of varying degrees and skills sets. They are a fully accredited hospital and are Medicare and Medicaid certified. They offer quality care in a safe environment. The Caro Center currently offers 150 patient beds.

Given the importance of understanding the specific role and economic impact the Caro Center provides to the economy in Tuscola County the County of Tuscola has requested that the Tuscola County Economic Development Corporation develop an economic impact analysis of the Caro Center.

An economic impact analysis is an effective way of demonstrating the economic contribution that the Caro Center makes to Tuscola County. To estimate the economic and employment impact of the Caro Center an economic model was chosen that provided the appropriate economic analysis that tracks the interdependence among various producing and consuming sectors of an economy to estimate the economic contribution of the Caro Center on the Tuscola County economy.

Methods

To estimate the economic and employment impact of the Caro Center the Tuscola County Economic Development Corporation used the new industry multipliers and economic impact standards developed by the firm of Dobson/DaVanzo, authors of “The Economic Impact of Inpatient Psychiatric Facilities (2010).”

In their work Dobson/DaVanzo used IMPLAN, a well-respected and accepted proprietary economic model, to estimate the economic and employment impact of inpatient psychiatric facilities. This analytic tool is a type of applied economic analysis that tracks the interdependence among various producing and consuming sectors of an economy to estimate the economic contribution of an industry or economic sector on either a defined region or on the entire United States economy.

By determining the direct expenditures and employment of the Caro Center, the Tuscola County Economic Development Corporation was able to estimate the economic impact, employment impact, and employee compensation impact of the Caro Center, as well as the multiplier effect of direct expenditures and employment. The economic impact and multiplier effects can be interpreted as follows:

- Direct Effect – the initial revenue, earnings, and employment (jobs) for the Caro Center
- Indirect effect – the inter-industry transactions, as supplying industries respond to the direct effects of the Caro Center
- Total economic impact – the combined effect or sum of overall Caro Center direct and indirect effects.

While this economic impact analysis provides estimates of the economic impacts of the Caro Center and related expenditures made in association with the inpatient psychiatric treatment through the 24-hour behavioral health treatment services provided it does not attempt to quantify the broader economic and social benefits of these services, including significant improvements in quality of life for patients and their families. These benefits are the objective of the Caro Center’s activities and in monetary terms would likely far exceed the operational economic benefits estimated in this economic impact analysis.

Caro Center – Direct Effect

In the fiscal year of 2016 the Caro Center had \$8,951,400 in direct operational expenditures. This total of expenditures is comprised of food, drugs, fuel, utilities, contract services, supplies, and materials expenses.

The Caro Center currently employs 349 professionals of varying degrees and skill sets. The pay range of the employees of the Caro Center is \$15.88 per hour to \$87.62 per hour. The annual payroll of the Caro Center employees is \$13 million. Of the 349 employees of the Caro Center approximately 111 or 32% live in the Caro area and approximately 133 or 38% live in Tuscola County so combined approximately 244 or 70% of Caro Center employees live in Tuscola County. The majority of the remaining employees live in the Michigan Economic Prosperity Regions of 5 and 6 and are within 30 miles of the Caro Center.

The Caro Center currently treats 150 patients. Each patient and each employee make local purchases from various retailers. Working with a conservative average of \$20.00 per week for each patient and each employee this provides an annual expenditure of approximately \$518,960 per year.

Working on the conservative assumption that 75 of the 150 patients have at least one person visiting them on a monthly basis and each visitor is making expenditures for meals and lodging this translates into a direct expenditure of \$174,600 per year. This conservative estimate is based on the assumption that the average hotel price is \$85.00 per night with each visitor spending two nights, and the average meal price is \$8.00 per meal for 3 meals per day for two days.

Caro Center Indirect Impact

The \$8,951,400 in 2016 direct expenditures for the Caro Center translates to an indirect economic impact of \$26,585,658. The indirect economic impact for the Caro Center is factored using the accepted psychiatric hospital economic impact model, whereas for every dollar in direct expenditures Tuscola County, Regions 5 and 6 economies realize \$2.97.

Using the accepted psychiatric hospital economic impact model concerning the \$518,960 per year in retail purchase expenditures of the Caro Center patients and employees, this translates to an indirect economic impact of \$1,541,311 per year for the Tuscola County economy.

Using the accepted psychiatric hospital economic impact model concerning the \$174,600 per year in Caro Center patient visitor expenditures this translates into an indirect economic impact of \$518,562 per year for the Tuscola County economy.

The direct employment of 349 jobs for the Caro Center translates to a total employment impact of more than 747 jobs. That is for every job that presently exists at the Caro Center, 2.14 jobs are created in the Tuscola County labor market. Concerning the 244 Caro Center employees who live in Tuscola County this translates to a total employment impact of more than 522 jobs.

The direct employee compensation of \$13 million for the Caro Center translates to \$25,090,000 million in total employee compensation per year. That is, for every dollar earned by Caro Center employees, \$1.93 is realized in the Tuscola County and regional economies. The direct employee compensation of \$9,100,000 per year for the 244 Tuscola County Caro Center employees compensation translates to \$17,563,000 per year.

Caro Center – Total Economic Impact

According to the U.S. Bureau of Labor Statistics in February, 2017 Tuscola County had 10,917 employed residents in various employment sectors, with an unemployment rate of 7.9%. Considering the total employment impact of more than 747 jobs, should the Caro Center be closed this could potentially increase the unemployment rate to 14.7% in Tuscola County.

The total monetary economic impact of the Caro Center is approximately \$53,735,531 per year. This amount is derived from the total amounts achieved through the economic indirect impacts of the Caro Center.

The total monetary economic impact for Tuscola County produced from the Caro Center is approximately \$19,622,873 per year. This amount is derived from the total amounts achieved through indirect economic impacts for Tuscola County.

Should the proposed new psychiatric hospital be located in another area and the Caro Center closed, this would present an extremely negative economic impact for Tuscola County and its economic prosperity region for years to come.