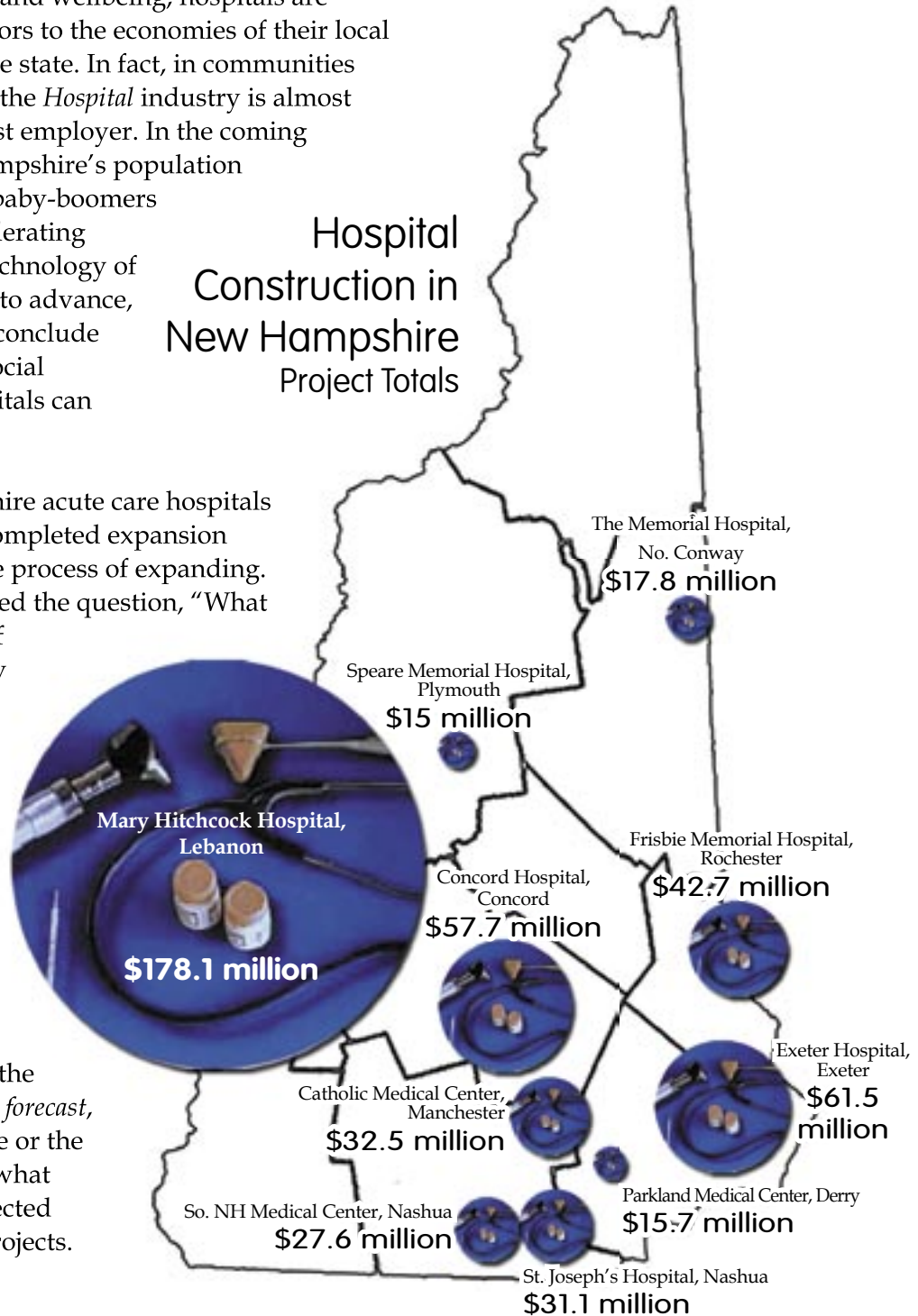


Executive Summary

In addition to their contribution to the general population's health and wellbeing, hospitals are important contributors to the economies of their local communities and the state. In fact, in communities that have hospitals, the *Hospital* industry is almost invariably the largest employer. In the coming decade, as New Hampshire's population continues to grow, baby-boomers reach age 60 in accelerating numbers, and the technology of medicine continues to advance, it would be easy to conclude the economic and social significance of hospitals can only increase.

Many New Hampshire acute care hospitals have just recently completed expansion projects or are in the process of expanding. Initially, we examined the question, "What is the total impact of the *Hospital* industry growth on the state's economy?" To accomplish this, we held statewide hospital employment constant at 2004 levels in an improbable *no growth simulation*. Then we compared the results to the *control forecast*, which is the baseline or the original forecast of what the economy is expected to do without the projects.

Hospital Construction in New Hampshire Project Totals



Hospital Construction Projects in New Hampshire

The overall results, compared to what would have been projected to occur in the absence of these projects, showed:

- Total employment levels would experience 15,600 fewer workers by 2015.
- The labor force would be lacking 6,900 by 2015.
- *Healthcare and social assistance* is the industry most affected by the “no growth” condition, to the tune of 9,400 jobs.
- Population, related to the changes in the labor force plus families and dependents, would be reduced by 9,000 people from expected levels by 2015.
- State revenues would feel the pinch of \$63.9 million less by 2015. State expenditures would take a hit in the initial years, increasing by \$4.1 million in 2007, before turning around. As population drops in the state, the expenditure reductions would only reach \$27.0 million, less than half of the losses to the revenue side of the house.
- By 2015, the state is \$858.5 million behind its expected GRP levels and personal income drops by \$905.6 million.

Then the study looks at acute care hospitals that have had significant expansion projects (\$15 million or more) initiated or in progress since the beginning of 2004, or have a Certificate of Need (CON) approved by the New Hampshire Health Services Planning and Review Board for such a project not yet started. The \$15 million level was used because it included construction projects that involved significant expansion to buildings and not simply new equipment acquisitions.¹

There were ten hospitals, in six counties, which met the criteria.

Original Certificate of Need (CON) Application Amounts

Hospital	Location	County	CON Amount (millions)
The Memorial Hospital	North Conway	Carroll	\$17.8
Mary Hitchcock Hospital	Lebanon	Grafton	\$165.0
Speare Memorial Hospital	Plymouth	Grafton	\$15.0
Catholic Medical Center	Manchester	Hillsborough	\$32.5
St. Joseph Hospital	Nashua	Hillsborough	\$31.1
Southern NH Medical Center	Nashua	Hillsborough	\$26.6
Concord Hospital	Concord	Merrimack	\$57.7
Exeter Hospital	Exeter	Rockingham	\$51.5
Parkland Medical Center	Derry	Rockingham	\$15.7
Frisbie Memorial Hospital	Rochester	Strafford	\$42.7

For each hospital, we extracted information from the applications, implementation reports, and other Certificate of Need documents, including projected and actual detailed construction expenses. We also obtained from the hospitals, information on projected (or actual) employment and sales changes resulting from these projects.

¹ Current thresholds for required Health Services Planning and Review Board’s review are: \$2,150,891 for any acute care facility; \$1,433,928 for any nursing home, ambulatory surgical facility or specialty hospital project; and \$400,000 for equipment. <www.dhhs.nh.gov/DHHS/HSPR/default.htm> The NH Health Services Planning and Review Board is charged with regulating large hospital improvement projects through the Certificate of Need process.

Hospital Construction Projects in New Hampshire

The information gathered was put into a model. The results represented what would happen to the economy with each of these hospitals' projects in their local areas (counties).² These results were compared to a *baseline* or original projection of what the local economy would have done without the projects. In every county the economic impact of the expansions followed similar patterns.

- *Hospital* employment had increased prior to the physical plant expansions, so there is no measurable change to the employment levels in the *Hospital* industry.
- Because the hospital expansions are primarily construction projects, most employment changes are temporary – and the increases are primarily seen as *Construction* workers. The increases in job levels typically do not last longer than the project itself. However, at the high point of these projects, they add anywhere between 700 and 800 more jobs.

	Total Employment (changes from baseline)											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Carroll	0	0	71	138	70	3	-1	-4	-4	-5	-4	-4
Grafton	453	288	34	-6	-10	-10	-10	-9	-7	-6	-5	-3
Hillsborough	227	310	78	133	130	58	-7	-7	-7	-5	-4	-2
Merrimack	0	131	248	140	22	2	0	-0	-0	0	1	1
Rockingham	100	135	247	114	29	-2	-4	-5	-4	-4	-3	-2
Strafford	0	0	100	191	93	2	0	-1	-1	-1	-1	-1
Total	779	865	778	710	333	52	-22	-25	-24	-21	-16	-12

- The *Construction* industry sector creates the majority of the jobs. Secondary industries, those that support *Construction* like *Trade* and *Services* were beneficiaries of lower job increases.
- During the actual construction periods, gross regional product (GRP) of the counties received a boost, only to fall back to expected levels as the project reached completion.
- The effects on personal income in the counties were positive and, in most counties, stayed above original levels for extended periods past the completion of the project.

	Gross Regional Product in millions (changes from baseline)											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Carroll	\$0	\$0	\$1.8	\$3.5	\$1.7	\$0.0	-\$0.1	-\$0.2	-\$0.2	-\$0.2	-\$0.2	-\$0.1
Grafton	\$14.6	\$9.2	\$0.9	-\$0.5	-\$0.6	-\$0.6	-\$0.5	-\$0.5	-\$0.4	-\$0.3	-\$0.2	-\$0.2
Hillsborough	\$10.4	\$14.3	\$4.1	\$6.2	\$5.9	\$2.5	-\$0.6	-\$0.6	-\$0.5	-\$0.4	-\$0.3	-\$0.2
Merrimack	\$0	\$5.4	\$10.2	\$5.8	\$1.0	\$0.1	\$0.0	-\$0.0	-\$0.0	\$0.0	\$0.0	\$0.1
Rockingham	\$4.1	\$5.6	\$10.4	\$4.8	\$1.1	-\$0.3	-\$0.3	-\$0.4	-\$0.3	-\$0.3	-\$0.2	-\$0.2
Strafford	\$0	\$0	\$3.4	\$6.6	\$3.2	\$0.0	-\$0.0	-\$0.1	-\$0.1	-\$0.1	-\$0.1	-\$0.1
Total	\$29.0	\$34.5	\$30.9	\$26.3	\$12.3	\$1.8	-\$1.6	-\$1.6	-\$1.5	-\$1.2	-\$0.9	-\$0.6

Certificate of Need (CON) applications are being submitted on a regular basis, so these projects should be seen as examples of a continuum of hospital construction projects. Although our study did not include all CON applications, this continuum of projects contributes at least 700 to 800 additional jobs annually to the New Hampshire economy.

² We use CONs as demand for goods and services.