



# BACKGROUND PAPER

## Nursing Homes Contribution to Jobs and Wisconsin Economy

**The Governor's Budget Proposal:** Wisconsin's skilled nursing facilities are typically recognized only for their role as the home and provider of health care for the most frail and elderly members of their community. Overlooked - but of immense importance in today's fiscal climate - is the enormity of their contribution to the economic health, vitality, and employment in the communities they serve.

To capture and quantify that contribution, WHCA and WAHSA engaged the Madison-based economic consulting firm of *NorthStar Economics, Inc.\** to analyze the nature, scope and impact of Wisconsin nursing homes on jobs and the state's economy.

The firm's March 2009 analysis underscores that Wisconsin's nursing homes not only play an essential role in serving a community's most frail and elderly citizens, but also have a profound impact on the state and local economies. In all cases facilities represent a major – and in many instances the largest – employer in the communities they serve.

**Nursing Homes' Impact on Wisconsin's Economy:** As illustrated below, in 2007 Wisconsin nursing homes direct expenditures totaled almost \$2.4 billion. The effect of those direct expenditures on state and local economies is even more impressive - a \$5.2 billion annual impact. The following, extracted from the *NorthStar's* analysis, summarizes the direct and aggregate economic effect nursing facilities have on Wisconsin's economy.

### Total Economic Impact of Wisconsin's Nursing Homes - 2007

<u>Category</u>	<u>Direct Impact</u>	<u>Economic Multiplier</u>	<u>Economic Contribution</u>
Payroll net Taxes and Leakages	1,019,797,533	2.4	\$2,388,749,807
Business Purchases	1,279,586,428	2.8	2,653,348,448
Wisconsin Personal Income Tax	44,409,046	2.8	125,828,591
RE, PP, Municipal Taxes & Fees	<u>10,390,238</u>	2.1	<u>29,439,700</u>
<b>TOTAL</b>	<b>\$2,354,183,245</b>		<b>\$5,197,366,546</b>

**Nursing Homes' Impact on Employment:** As an employer, nursing homes' presence in Wisconsin approximates that of the state's paper, plastics, real estate, and accommodation's industries. Nursing homes directly employ almost 51,000 workers (35,352 FTE). However, their impact on jobs in this state extends well beyond their immediate employment requirements. Indeed, nursing homes' and their employee's expenditures for goods and services create jobs embracing another 53,000 FTE positions for state workers. Total FTE employment attributable to nursing home activities are in excess of 88,000.

<b><u>Job Generator</u></b>	<b><u>Number of Jobs</u></b>
Nursing Homes FTE Employment	35,352
Jobs-to-Jobs additions	13,437
Nursing Homes Business Spending	<u>39,523</u>
<b>Total Jobs Created</b>	<b>88,312</b>

**Impact on State Tax Revenue:** Nursing home workers in Wisconsin pay state income, sales and property taxes that generate significant state tax revenue. Likewise, the 53,000 jobs created as a result of nursing home operations trigger additional tax revenue for Wisconsin. As detailed in the *NorthStar* analysis, nursing homes' presence in Wisconsin is the catalyst for over \$342 million in state income, sales, property tax and municipal fees revenue. (*Federal income taxes paid by Wisconsin nursing home employees were estimated at \$178 million.*)

<b>Generation of State Tax Revenue</b>	<b>Tax Revenue</b>
Employee Tax Revenue	\$135,462,167
Staff Generated Jobs Tax Revenue	49,890,403
Institutional Taxes and Fees	10,390,238
Institutional Generated Jobs Tax Revenue	146,743,419
<b>Total State Tax Revenue Generated</b>	<b>\$342,486,227</b>

## **Medicaid Investment in Nursing Home Care - Stimulating Jobs & the State's Economy**

Wisconsin's long term care community represents one of the largest employers in the state. Direct care jobs – the front line of nursing home care - are plentiful and among the fastest growing in the state. They are relatively recession-proof and can't be outsourced; they offer opportunities for low-income individuals, displaced workers and students. At the same time they provide indispensable services and support of the state's most frail and elderly population.

The flow of dollars spent by nursing homes within the state's economy expands dramatically as the money passes to and through the hands of employees and local businesses and organizations through which the facility and its employees purchase goods and services. The firms within the goods and service chain, in turn, pay wages and salaries and themselves purchase goods and services further along the chain.

Medicaid increases, affording facilities the ability to provide deserved wage increases to their staff, has an immediate impact on the quality of life of those who receive and provide care. In addition, through that investment, the state and local communities will realize significant economic and social benefits - higher tax revenues, expanded jobs, reduced reliance on public benefits by direct-care workers; more efficient use of Medicaid funds due to lower turnover costs, better retention of workers, and improved quality of care for the elderly and disabled populations.

**WHCA/WiCAL Position:** The financial stability of nursing facilities is essential for providing quality care and services to Wisconsin's most frail and vulnerable citizens. The *NorthStar Economics, Inc.*

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report validates that maintaining that stability is equally essential for preservation, stimulation and growth of state and local economies.

Providing increased Medicaid funding for nursing facilities will provide improved quality of care for expanding numbers of the elderly who require and receive skilled nursing care. The effect on quality care will be accompanied by a corresponding positive impact on stimulation of employment and the economy in the communities nursing facilities serve.

However, by providing a level of funding that falls far short of even conservative estimates of inflation, AB75 threatens the viability and stability of every nursing facility in this state. The negative impact of inadequate funding will be compounded by the bill's proposed doubling of the nursing home bed tax. The massive tax increases will extract much needed resources from financially fragile facilities to generate federal funds that will be overwhelmingly diverted to supporting state operating deficits rather than invested in resident, caregiver, and community needs.

Given the staggering \$280 million differential between annual cost and Medicaid payment for nursing home services, the immediacy of the need for additional funding cannot be questioned. Both the need and urgency for providing increased funding are intensified by the impact that funding will have on the stability and growth of jobs and the economy.

As legislators must appreciate the importance of nursing homes' role in serving a community's most frail and elderly members, so must they be cognizant of the major economic presence a nursing home has in its community. Equally important, is an appreciation for the magnitude and effect of the economic void that will be created if AB75 is allowed to deny facilities the resources and funding essential to fulfilling their role and maintaining operations.

*\*NorthStar Economics, Inc. is a Madison-based private economic consulting and research firm. Founded in May of 2000 by Dr. David J. Ward, NorthStar serves a variety of clients in both the public and private sectors. Its expertise includes economic impact studies, strategic economic development, feasibility studies, and forensic economics. Dennis Winters is NorthStar's Vice President and Director of Research. He has over twenty-five years of experience in economic analysis, modeling and forecasting; encompassing everything from designing commodity derivative strategies to long-term policy initiative scenario assessments. Mr. Winters' areas of focus include regional and national macroeconomics, energy and labor markets, and economic impact analysis newspapers.*

*Mr. Winters has held senior positions at Wharton Econometric Forecasting Associates (WEFA), DRI / McGraw-Hill, the Executive Office of Energy Resources for the Commonwealth of Massachusetts, and Clayton Brokerage Company of St. Louis, Missouri. He has also served on the faculty at Fisher College in Boston, Massachusetts, and the Institute of Gas Technology (now the Gas Technology Institute) in Chicago, Illinois. He is now the director of the Wisconsin Department of Workforce Development's Office of Economic Advisors.*

**WHCA**

Wisconsin Health Care Association

**WiCAL**

Wisconsin Center for Assisted Living

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