



### The Economic Impact of a Physician Shortage

A physician shortage exists in many rural areas. Frequently, this local shortage occurs even when the statewide averages do not suggest this. Too often, the statewide distribution of physicians is the real issue. Obviously, this local shortage is made worse when there is a statewide shortage. In addition to the impact on the health status of the local population, a shortage of health professionals can significantly impact the local economic activity. A physician shortage in a community leads to residents purchasing their primary care health services in nearby communities. In addition, out-of-town trips to obtain health care naturally offer opportunities to spend dollars out-of-town that may have been spent locally. With this out-migration of health services, businesses and the overall local economy lose these primary care dollars.

It is unrealistic to assume that a community can expect to capture all of the primary care visits due to personal preferences and available alternatives, but the goal should be to capture as much of this activity as possible. Local decision makers and health care providers should be involved in determining the usage rate appropriate for the service area.

An additional physician and/or part time physician would increase the number of local visits and recapture the dollars leaving the area. It was estimated that an example Oklahoma rural community would require an additional 0.6 full time equivalent physician to achieve a target rate of 75 percent of total patient visits from the community.

The additional 0.6 FTE physician will generate \$687,734 in revenue in the clinic and the hospital, for a total impact of \$919,637 throughout the economy of the rural community. The recaptured activity will generate a total impact of 13.8 jobs and \$533,493 in income including the physician net earnings and medical staff wages, salaries and benefits at the clinic and hospital. The results presented show that even a part time physician can have a significant impact on the economy of a rural community. For many rural communities, this impact will make a

noticeable difference through increased services and the opportunity to keep their hospital from closing. The lost income from this physician shortage also has a negative impact on potential sales tax collections which affects a community's ability to fund other important services.

<b>Total Impact – 0.6 FTE Primary Care Physician</b>		
<b>Revenue</b>	<u>Direct Impact</u>	<u>Total Impact</u>
Clinic	\$236,565	\$324,094
Hospital	<u>\$451,169</u>	<u>\$595,543</u>
<b>TOTAL</b>	<b>\$687,734</b>	<b>\$919,637</b>

  

<b>Income<sup>1</sup></b>	<u>Direct Impact</u>	<u>Total Impact</u>
Clinic	\$172,155	\$199,700
Hospital	<u>\$260,776</u>	<u>\$333,793</u>
<b>TOTAL</b>	<b>\$432,931</b>	<b>\$533,493</b>

  

<b>Employment</b>	<u>Direct Impact</u>	<u>Total Impact</u>
Clinic	2.4	3.3
Hospital	<u>7.6</u>	<u>10.5</u>
<b>TOTAL</b>	<b>10.0</b>	<b>13.8</b>

<sup>1</sup> Income includes wages, salaries and benefits

All recaptured dollars can be regarded as new revenue that comes into the community. New revenues stimulate growth and economic development and are further amplified by the multiplier effect that comes with them. Local decision makers should exercise caution when estimating local spending, particularly when utilizing national coefficients. Spending patterns and income levels vary across regions and from state to state.

In addition to the impact on health status, a physician shortage has a dramatic economic effect on a community by reducing employment and income in several sectors. These impacts should be considered when assessing local health services.

For a complete copy of “The Economic Impact of a Rural Primary Care Physician and the Potential Health Dollars Lost to Out-Migrating Health Care Services,” see the National Center for Rural Health Works website ([www.ruralhealthworks.org](http://www.ruralhealthworks.org))