

ECONOMIC EMERGENCY PROGRAM

Little Fork Medical Center Closure - Updated

The City of Little Fork, Minnesota owns the Little Fork Medical Center, consisting of a nursing home, assisted living facility, medical clinic and pharmacy, and a chemical and alcohol in-patient treatment center. Due to financial considerations, the Little Fork Medical Center is in jeopardy of closing. The Little Fork City Council and the Koochiching County Board of Commissioners are considering the potential effects the closing will have on the community. One consideration is the effect the potential closure will have on the local economy. This is especially urgent, since Koochiching County is already facing a major economic challenge as a result of downsizing at the Boise Inc. paper mill.¹ To assist decision-makers, University of Minnesota Extension has prepared this economic emergency report. This report is presented in partnership with EDA Center at the University of Minnesota-Crookston.

SUMMARY OF FINDINGS

The potential Little Fork Medical Center closure will result in the estimated loss of 109 jobs, \$6.6 million of sales, and \$3.5 million of labor income in Koochiching County. The Little Fork Medical Center currently employs 94 individuals and pays an estimated \$3.0 million annually to those employees. If the medical center closes, it is predicted 15 additional jobs in Koochiching County will be affected and an additional \$510,000 of labor income will be lost. The industries of real estate, health care, banking, and food and drinking establishments will be most affected by the closure.



WHAT IS AN ECONOMIC EMERGENCY?

Communities often face a sudden and unanticipated change in their local economy. A major employer announces it is reducing its workforce, a fire destroys an operating facility, or a flood damages downtown. In these situations, communities often need to make quick, but important, decisions about how to react. They work closely with the local business(es) affected and work to help the business(es) and community recover. The University of Minnesota Extension's economic emergency program is designed to provide community leaders with information to assist in making decisions regarding the community's future. Information from the IMPLAN (IMPLAN Group LLC) model is used in this analysis.

¹ To read University of Minnesota Extension's economic emergency report on the Boise Inc. paper mill, visit <http://www1.extension.umn.edu/community/economic-impact-analysis/reports/>.

There are a few important things to note related to this analysis and the tool used. In the IMPLAN model, one job is one job regardless of whether the job is full-time, part-time, or seasonal, which should be considered when interpreting the results related to employment in this report. Further, core IMPLAN data is gathered from a variety of government sources. When data is incomplete or missing, econometric techniques are implemented to fill in the gaps.

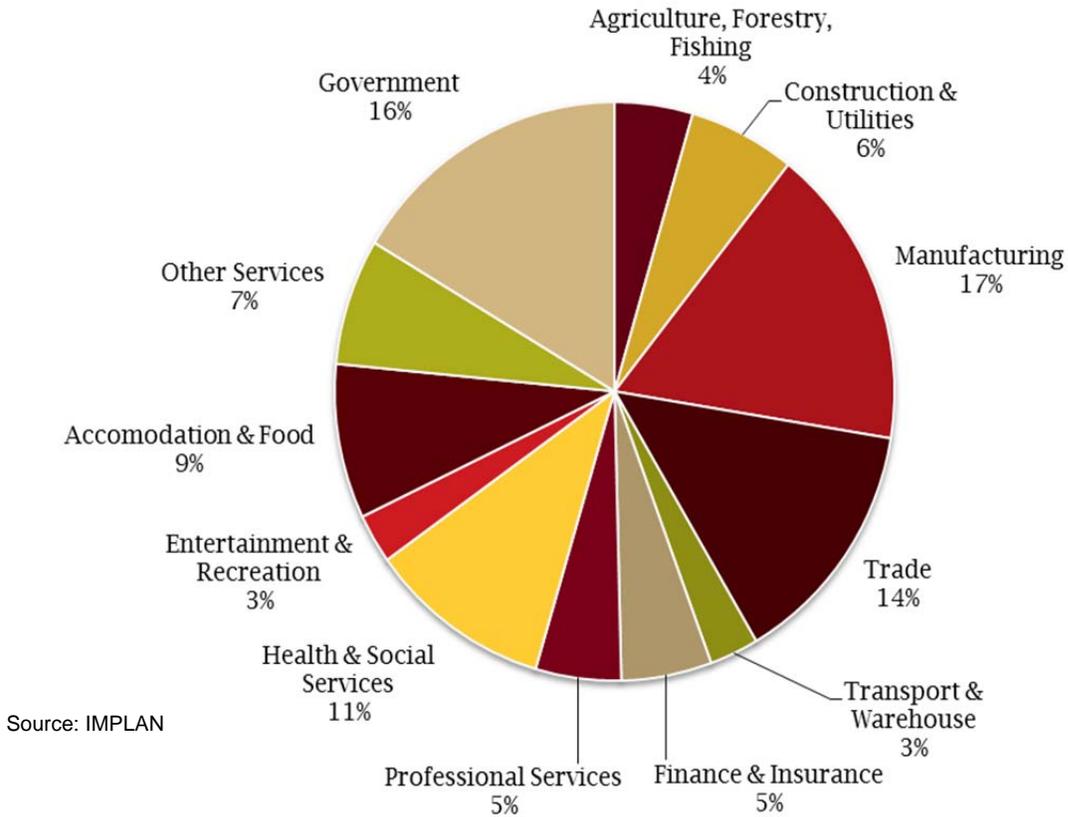
CURRENT ECONOMY

In 2011, there were 6,300 jobs in Koochiching County.² The manufacturing industry employs 1,100 of those workers, or approximately 17 percent of all jobs, thus making it the largest single industry in terms of employment (see chart 1). As mentioned, the manufacturing sector is undergoing serious change, as Boise Inc. has downsized by 265 manufacturing jobs. The government sector collectively employs 16 percent of all individuals with jobs in Koochiching County. The largest service industry in Koochiching County is the health and social services sector.

In the dataset from IMPLAN which was used for chart 1, publicly-owned medical facilities are categorized in the government sector. Privately-owned medical facilities are in the health and social services category. Looking at the Quarterly Census of Employment and Wages (QCEW) data can help more fully explain the health care industry in Koochiching County. In 2012, there were 110 ambulatory care jobs and 280 nursing and residential care facilities jobs in Koochiching County. There is only one hospital in Koochiching County, so data on employment is not available.

² Source: IMPLAN (IMPLAN Group LLC) database. 2011 is the most recent data available.

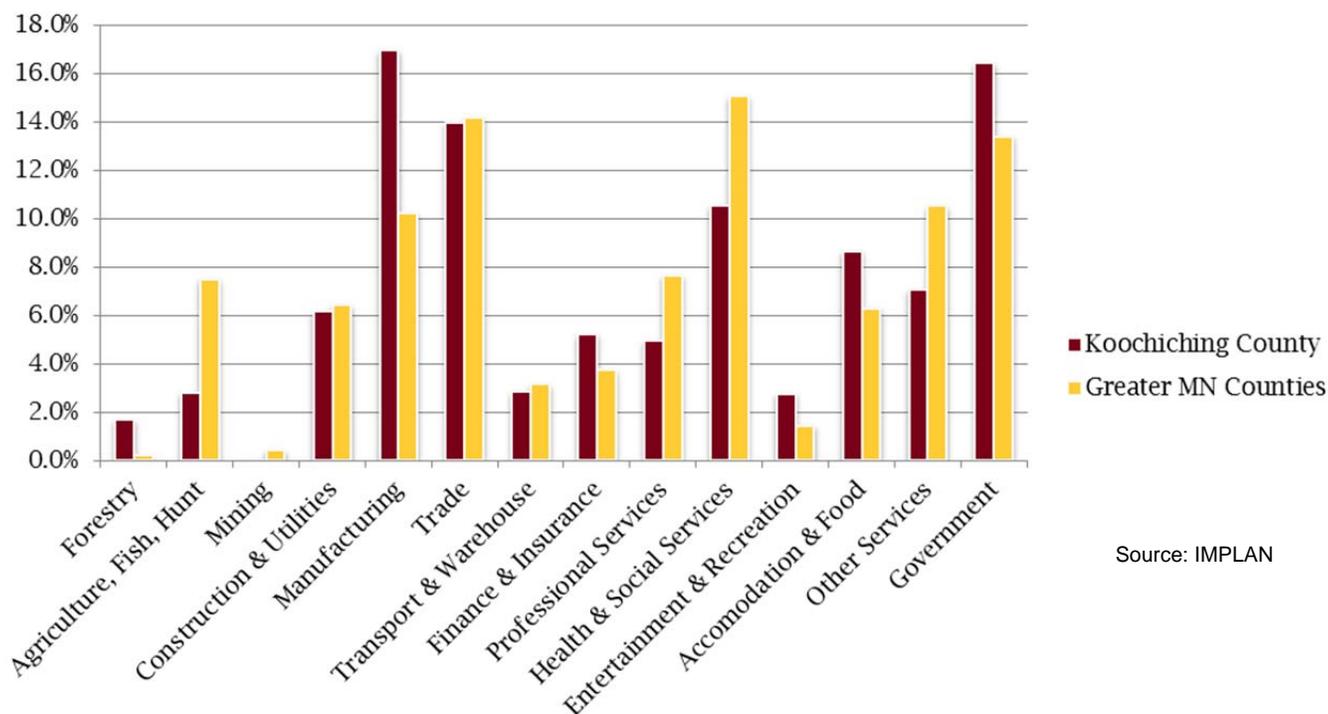
**Chart 1: Employment by Industry
Koochiching County 2011**



In many ways, the economy of Koochiching County mirrors the economy of the average Greater Minnesota county (see chart 2).³ Koochiching County has a higher percent of its employees in manufacturing, government, and forestry in comparison. It has a lower percent of its employees in the service industry, as a whole. It also has a lower percent of employees in the agriculture, fishing, and hunting industry. This may likely be due to the high concentration of agriculture in southern Minnesota counties.

³ Greater Minnesota encompasses the 80 Minnesota counties not in the seven-county metropolitan area.

**Chart 2: Employment by Industry
Koochiching County versus Greater Minnesota
2011**



Source: IMPLAN

According to the IMPLAN database, the average wage (including benefits) in Koochiching County is \$46,700. In comparison, in Greater Minnesota, the average wage is \$33,700. The average wage in nursing and residential care in Koochiching County is \$23,500; in Greater Minnesota the average wage in the nursing and residential care industry is \$24,300.

ECONOMIC IMPACT OF POTENTIAL CLOSURE OF THE LITTLE FORK MEDICAL CENTER

The Little Fork Medical Center in Little Fork, Minnesota employs 94 full-time and part-time employees. The proposed closure of the facility would result in the loss of all 94 jobs at the center. Total payroll for the Little Fork Medical Center is approximately \$3 million or about \$32,000 per employee. According to the model used in this analysis, 94 employees in the nursing home industry in Koochiching County produce an estimated \$4.7 million in economic activity annually in the county.⁴

The Little Fork Medical Center generates additional economic activity in the county as a result of the center making purchases in the local economy. When the medical center makes purchases of inputs and supplies in the local economy, this creates indirect, or business-to-business impacts. When the medical center's employees make purchases in the local economy, this creates induced,

⁴ Little Fork city officials provided to Extension the number of jobs and the total payroll to be lost in a potential closure. The IMPLAN model estimated associated losses in output. The output estimates were not verified by the Little Fork Medical Center.

or consumer-to-business impacts. If these purchases decrease, as a result of the medical center closing, the corresponding local purchases will also decrease, causing a ripple of economic loss in the local community.

The loss of 94 jobs at the Little Fork Medical Center will have impacts on Koochiching County, as displayed in table 1. When employment at the center decreases by 94 jobs, an additional estimated 15 jobs in industries that serve the medical center and its employees will be lost. In total, 109 jobs in the county will be affected by this action. The medical center itself will produce \$4.7 million less in output, which will contribute to a total loss of an estimated \$6.6 million in output (sales) in the county. Labor income will also drop in Koochiching County. Lost jobs at the medical center will directly cause a decrease in labor income of \$3.0 million. The lost spending of these wages and other purchases by the center will decrease total labor income in the county by an additional \$500,000. Thus, the total loss of labor income will be an estimated \$3.5 million.

TABLE 1: ECONOMIC IMPACT OF POTENTIAL CLOSURE OF THE LITTLE FORK MEDICAL CENTER: KOOCHICHING COUNTY, MINNESOTA

	Direct	Indirect	Induced	Total
	(At the Center)	(Business-Business)	(Consumer-Business)	
Output	-\$4,700,000	-\$500,000	-\$1,400,000	-\$6,600,000
Employment	-94	-5	-10	-109
Labor Income	-\$3,000,000	-\$130,000	-\$380,000	-\$3,510,000
Average Wage	\$31,900	\$26,000	\$38,000	\$32,200

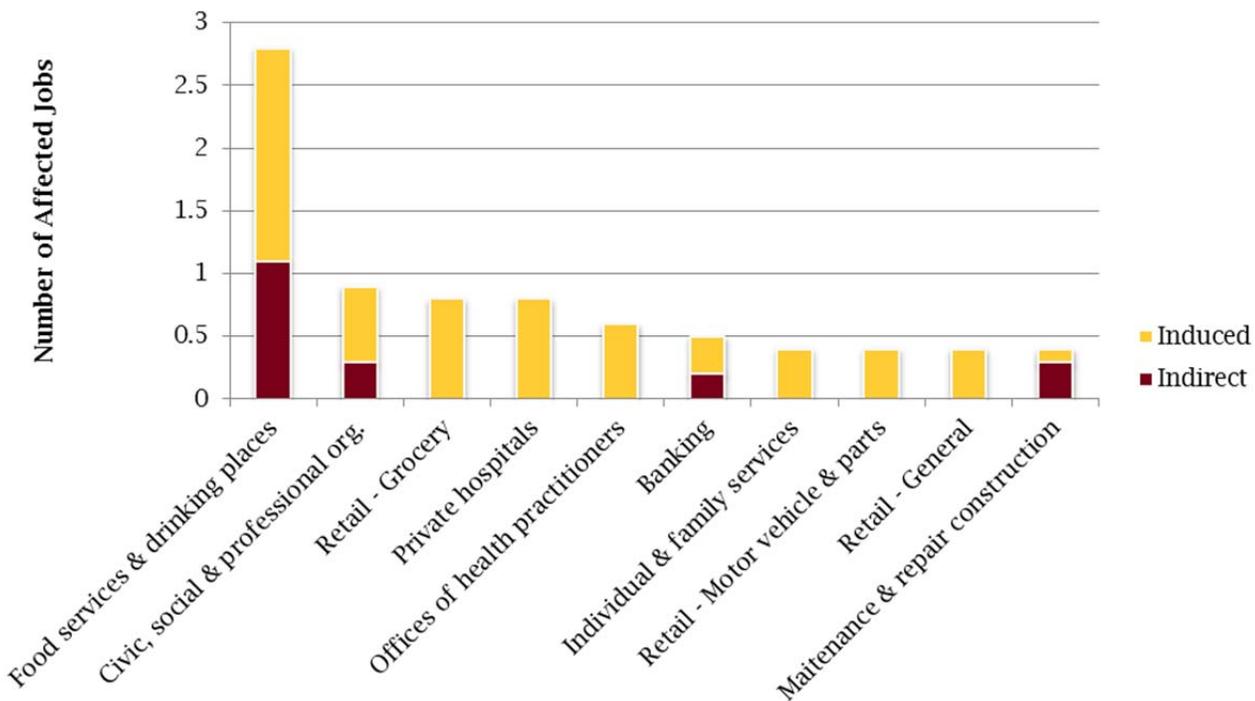
Estimates by the Extension Center for Community Vitality

At this point, it is worth noting a caveat to the research. In this simple analysis, we assume all output and employment related to the medical facility will leave the county economy. The results will not hold if the economic activity, or some of it, simply shifts to other businesses and locations in the county. If its nursing home residents, for example, simply move to another facility within the county, that facility may well increase its output and employment to serve its new residents. Thus, the declines in Little Fork will potentially be partially offset by increases in another community. While the City of Little Fork will experience negative economic consequences, the county as a whole likely will not experience the total losses highlighted in table 1. Of course, economies of scale indicate that employment and output at the facility where residents have transferred to will likely not increase to the levels of the loss in Little Fork. This caveat is worthy of consideration by community leaders.

The model can also provide estimates of the industries in Koochiching County that will feel the largest magnitude of impacts from a potential closure of the Little Fork Medical Center. In terms of employment, the largest indirect and induced impacts will be in the industries shown in chart 3. Induced impacts reflect industries most affected by the loss of employee income in the county. Service industries will feel the largest losses from decreased labor income, including eating and drinking establishments, retail trade businesses, and health care providers.

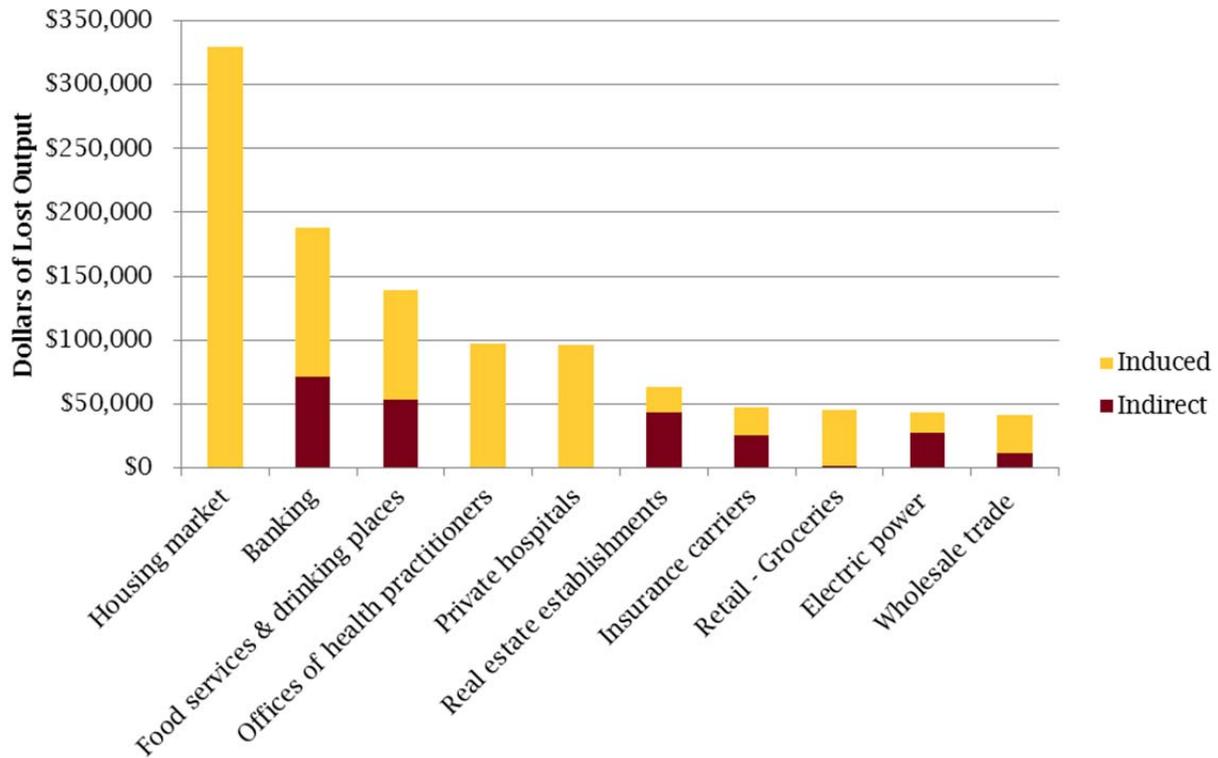
Impacts in the food services and drinking places, civic, social and professional organizations, banking, and maintenance and repair construction industries reflect the indirect impacts of the medical center making local purchases (indirect effects). In the model, one job is one job. Food services and drinking places tend to have a high ratio of part-time employees; therefore, it is not unusual to see a high number of jobs impacted.

Chart 3: Top Industries Impacted by Potential Little Fork Medical Center Closure: Indirect and Induced Employment Effects



In terms of output, the largest indirect and induced impacts will be in the industries shown in chart 4. The largest impacts will be in the housing market as payments for housing are one of a household's major expenses. Health care will feel further reductions as well, as employees without incomes will decrease their health care expenditures. Finally, suppliers to the medical center, such as banks, insurance carriers, and electrical companies will also feel the impact of the potential medical center closure.

Chart 4: Top Industries Impacted by Potential Little Fork Medical Center Closure: Indirect and Induced Output Effects



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View online at: <http://www1.extension.umn.edu/community/economic-impact-analysis/reports/>