

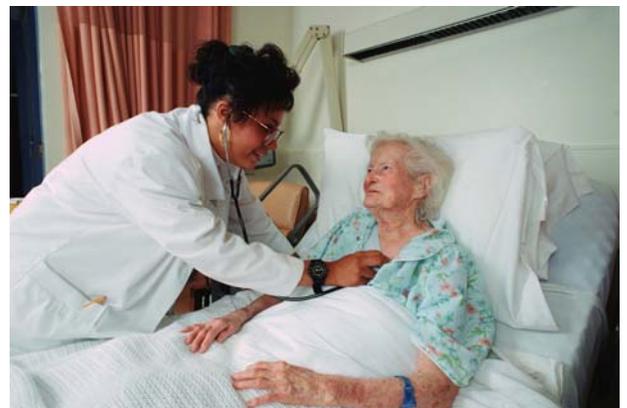
## ECONOMIC EMERGENCY PROGRAM

# Hoffman Nursing Home Closure - Updated

The Good Samaritan Society currently owns and operates a nursing home facility in Hoffman, Minnesota. The Society recently announced plans to close the nursing home facility in December 2013. As the community of Hoffman considers this potential closure, city and county leaders will contemplate possibilities for the future of the facility and the impacts on their community. One of the ways the community will be impacted is economically. Decision-makers in Hoffman and Grant County need information regarding the potential economic impact of the nursing home closure. In response, 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 Hoffman Good Samaritan Home closure will result in the estimated loss of 53 jobs, \$2.8 million of sales, and \$1.1 million of labor income in Grant County. The Hoffman Good Samaritan Home currently employs 48 individuals and pays an estimated \$950,000 annually to those employees. When the home closes, it is predicted 5 additional jobs in Grant County will be affected and an additional \$132,000 of labor income will be lost. The industries of real estate, office administrative services, and maintenance and repair construction will be most affected by the closure.



## WHAT IS AN ECONOMIC EMERGENCY?

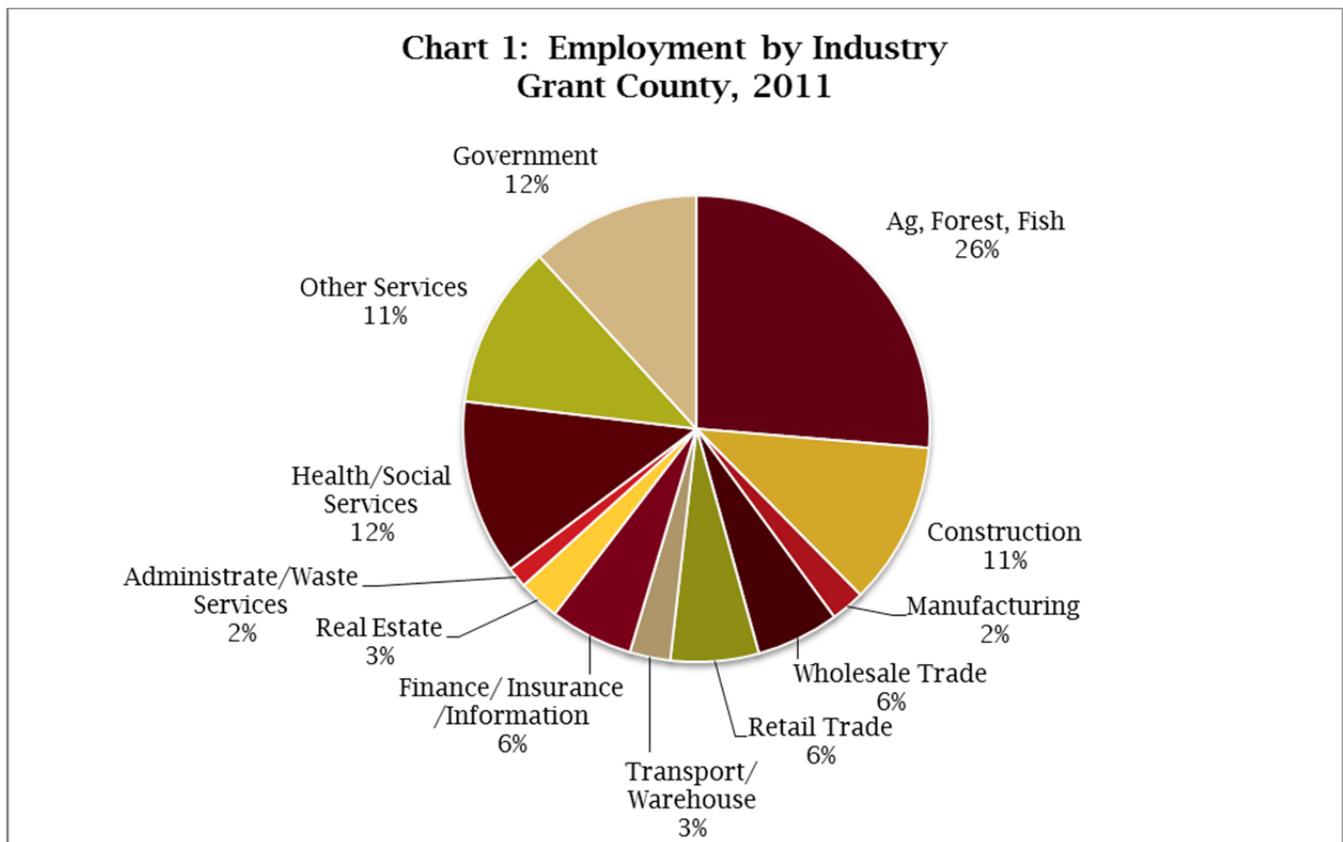
Communities often face a sudden and unanticipated change in their local economy. A major employer announces it is reducing its workforce, a fire destroys an operating facility, or a flood damages downtown. In these situations, communities often need to make quick, but important, decisions about how to 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 (MIG, Inc.) model is used in this analysis.

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 3,800 jobs in Grant County.<sup>1</sup> The agriculture, forestry, and fishing industry employs 1,000 of those workers, or approximately 26 percent, thus making it the largest single industry in terms of employment (see chart 1). The government sector and health and social services industries each employ 12 percent of all individuals with jobs in Grant County.

The Hoffman Good Samaritan Center is categorized in the health and social services industry. There are approximately 460 jobs in the health and social services sector in Grant County. According to the IMPLAN database, 246 of these jobs are in social assistance, 158 in private nursing homes, 41 in ambulatory health care (doctor and dentist offices), and 20 in private hospitals. Publicly-owned health facilities are categorized in the government sector.

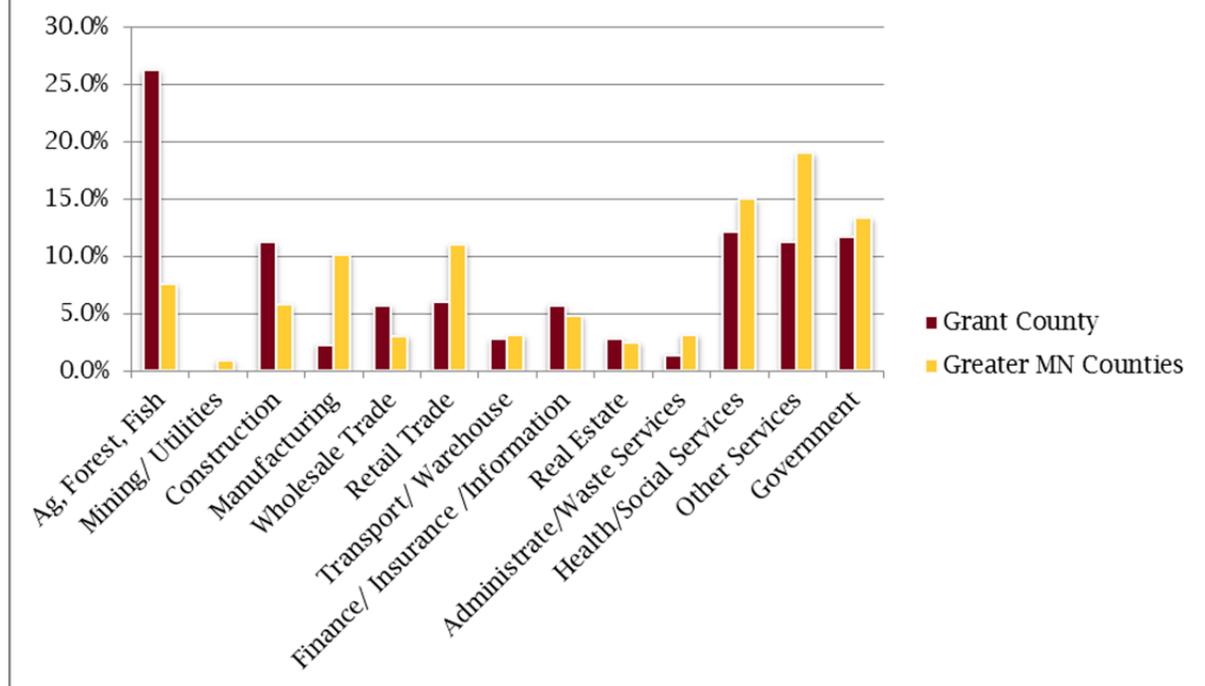


Compared to other counties in Greater Minnesota, Grant County's employment-base is significantly more agriculturally-dependent. Twenty-six percent of Grant County's employment is

<sup>1</sup> Source: IMPLAN (MIG, Inc.) database. The most current available data is for 2011.

in the agricultural industry, as compared to 7 percent in the average Greater Minnesota county. Grant County also has a higher share of its employment in the construction industry. Grant County has a lower percentage of jobs in manufacturing and retail trade than other counties in Minnesota.

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



According to the IMPLAN database, the average wage (including benefits) for all jobs in Grant County is \$35,400. The average wage of the nursing and residential care industry is \$19,200 in Grant County. In Greater Minnesota, the average wage for all jobs is \$33,700. The average wage of the nursing and residential care industry in Greater Minnesota is \$24,300.

### **ECONOMIC IMPACT OF CLOSURE OF THE HOFFMAN NURSING HOME**

The Hoffman Good Samaritan Center in Hoffman, Minnesota employs 48 full-time and part-time employees. The closure of the facility would result in the loss of all 48 jobs at the center. Total payroll for the Hoffman Good Samaritan Center is an estimated \$952,000 or about \$19,800 per employee.<sup>2</sup> Income per employee may appear low, but over half of the staff are employed on a part-time basis, which lowers the average wage per employee. According to the model used in this analysis, 48 employees in the nursing home industry in Grant County produce an estimated \$2.2 million in economic activity annually in the county.

<sup>2</sup> Employment figures provided to Extension by the West Central Initiative Foundation. Employment figures do not include "on call" staff. Payroll estimated from information provided to University of Minnesota Extension by an employee of the facility and from the IMPLAN database.

The Hoffman Good Samaritan Center generates additional economic activity in the county as a result of the center making purchases in the local economy. When the center makes purchases of inputs and supplies in the local economy, this creates indirect or business-to-business impacts. When the center's employees make purchases in the local economy, this creates induced, or consumer-to-business impacts. If these purchases decrease, as a result of the nursing home closing, the corresponding local purchases will also decrease, causing a ripple of economic loss in the local community.

The loss of 48 jobs at the Hoffman Good Samaritan Center will have impacts on Grant County, as displayed in table 1. When employment at the nursing home decreases by 48 jobs, an additional estimated 5 jobs in industries that serve the nursing home and its employees will be lost. In total, 53 jobs in the county will be affected by this action. The nursing home itself will produce \$2.2 million less in output because it is closed, which will contribute to a total loss of an estimated \$2.8 million in output (sales) in the county. Labor income will also drop in Grant County. Lost jobs at the nursing home will directly cause a decrease in labor income of \$952,000. The lost spending of these wages and other purchases by the center will decrease total labor income in the county by an additional \$132,000. Thus, the total loss of labor income will be an estimated \$1.1 million.

**TABLE 1: ECONOMIC IMPACT OF THE CLOSURE OF THE HOFFMAN NURSING HOME: GRANT COUNTY, MINNESOTA**

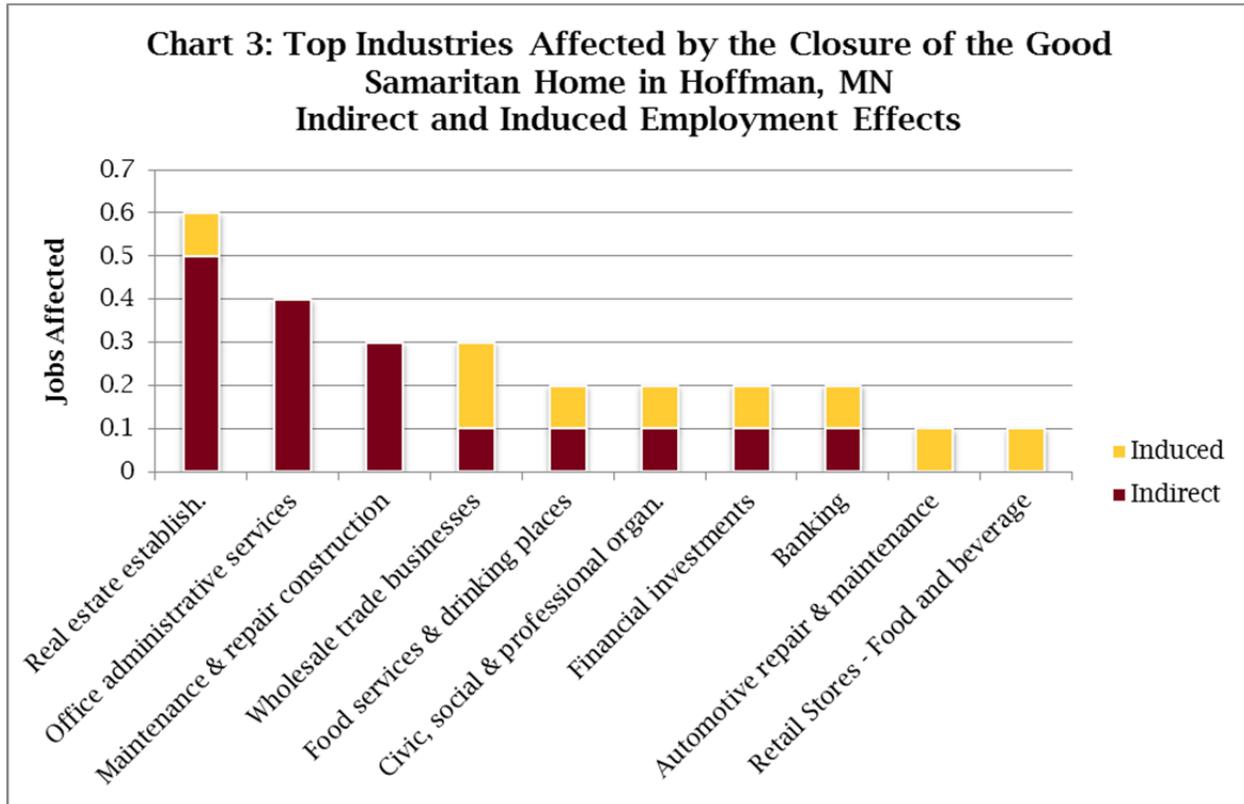
|              | Direct              | Indirect          | Induced           | Total        |
|--------------|---------------------|-------------------|-------------------|--------------|
|              | At the Nursing Home | Business-Business | Consumer-Business |              |
| Output       | -\$2,190,000        | -\$301,000        | -\$331,000        | -\$2,822,000 |
| Employment   | -48                 | -2                | -3                | -53          |
| Labor Income | -\$952,000          | -\$61,000         | -\$71,000         | -\$1,084,000 |
| Average Wage | \$19,800            | \$30,500          | \$23,700          | \$20,500     |

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 nursing 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 nursing home residents, as it appears may happen, 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 Hoffman will be partially offset by increases in another community. While the City of Hoffman 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 Hoffman. This caveat is worthy of consideration by community leaders.

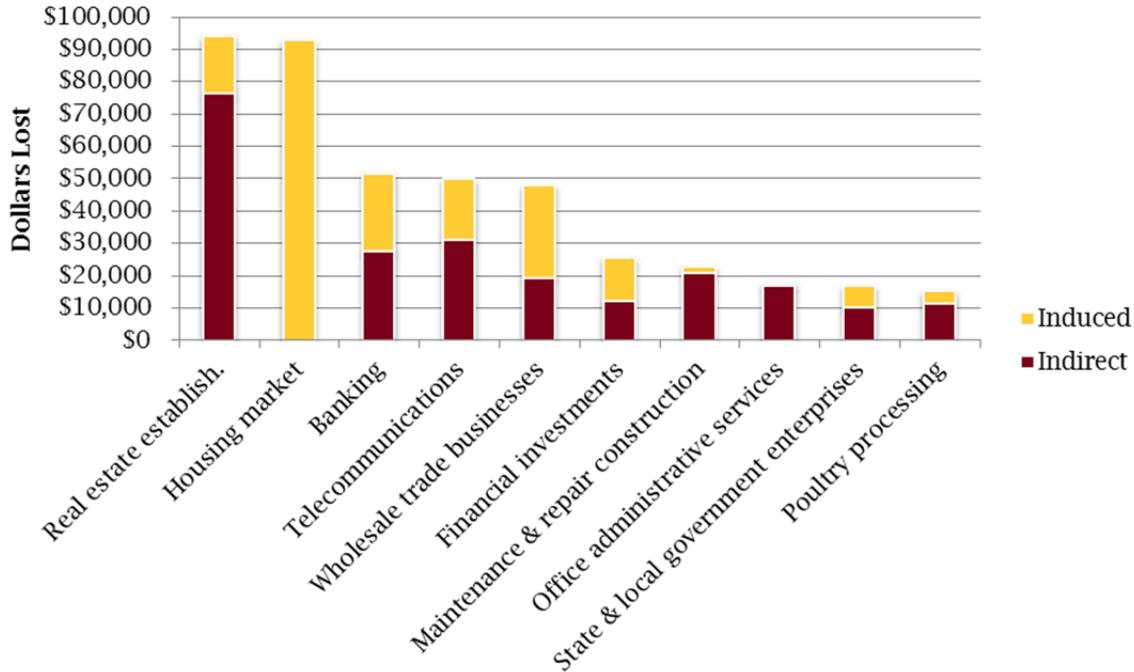
The model can also provide estimates of the industries in Grant County that will feel the largest magnitude of impacts from the closure of the Hoffman Good Samaritan Center. In terms of employment, the largest indirect and induced impacts will be in the industries shown in chart 3.



Impacts in the real estate, office administrative services, and maintenance and repair construction industries reflect the indirect impacts of the nursing home making local purchases (indirect effects). Impacts in the automotive repair and maintenance industry and the retail stores - food and beverage reflect purely induced effects from decreased labor income.

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 (real estate establishments reflect rental units and the housing market reflects owner-occupied homes). Banking, telecommunications, other local service-providers will also feel the effects of the closure.

**Chart 4: Top Industries Affected by the Closure of the Good Samaritan Home in Hoffman, MN  
Indirect and Induced Output Effects**



**PREPARED BY UNIVERSITY OF MINNESOTA EXTENSION**

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