



# Mid-Illinois Medical District

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## MEDIA RELEASE

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### **Economic Impact Study of Third Street Rail Corridor Reveals Major Disruption to Springfield Medical District**

The results of an Economic Impact Study, recently commissioned by The Greater Springfield Chamber of Commerce and conducted by Northern Illinois University to analyze the potential implications of expanding Springfield's Third Street rail corridor, reveal troubling repercussions for one of the area's major employers.

As detailed in the study (see attachment), the local healthcare industry, which currently accounts for 15.3% of Sangamon County jobs and continues to experience growth despite the current economic climate, would be significantly hindered in future expansion by the proposed Third Street route. Factors including increased traffic delays, noise and vibration contamination, and larger zoning setbacks reducing land available for expansion would impede currently planned and budgeted facility expansions and impede the routes of emergency service vehicles between the district's two major hospitals.

"Springfield's Medical District facilities work together to provide state-of-the-art patient care and contribute vital jobs to our residents," said Michael Boer, President, Mid-Illinois Medical District. "To allow their growth and progress to be impeded would be foolish to the point of negligence."

The NIU document also cites as a case study data from an actual planned facility expansion project, provided by a Medical District member business, to illustrate the negative impact the Third Street corridor would have on a single healthcare expansion project. Factor in the reality of multiple similar projects not moving forward if the Third Street route is approved, and the consequences are staggering for the economy of Springfield and Sangamon County.

"The Medical District plays a primary role in our local economy," said Boer. "Supporting their ability to grow is critical. We cannot tie the hands of a major employer and expect our community to survive long-term."

The total Economic Impact Study is attached here for reference. For more information, please contact Michael Boer, President of the Mid-Illinois Medical District, at 217-527-3908.

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**The Economic Impact of  
Rail Line Expansion  
on Hospital and Healthcare Organizations  
in Sangamon County**

**October 29, 2010**

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***The Economic Impact of Rail Line Expansion on Hospitals and Healthcare Organizations in Sangamon County*** was prepared by John Lewis and Lisa Bergeron of the Regional Development Institute at Northern Illinois University under agreement with the Greater Springfield Chamber of Commerce. Questions and inquiries regarding the contents of this report can be directed to John Lewis (815) 753-0936 or Lisa Bergeron (815) 753-0924. For more information on NIU Outreach and the Regional Development Institute, please visit our website at [www.niurdi.org](http://www.niurdi.org) or [www.outreach.niu.edu](http://www.outreach.niu.edu).

The findings and conclusions presented in this report are those of the authors/project team alone and do not necessarily reflect the views, opinions, or policies of the officers and/or trustees of Northern Illinois University.

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## **Executive Summary**

The Greater Springfield Chamber of Commerce commissioned the Regional Development Institute at Northern Illinois University to conduct an economic impact analysis on an expansion of healthcare facilities in Sangamon County.

A rail line system upgrade has been proposed which will add a new high speed rail track along existing lines through Springfield. This new line will not only increase train traffic through the area, but will also cut into existing setbacks reducing the available space for expansion of adjacent properties. As a result, one of the hospitals adjacent to the rail line may not move forward with plans to expand their facility and services. Additionally, all of the healthcare facilities would experience reduced connectivity to area campuses as the increased train traffic would hinder movement in the region both for staff and patients. While the latter issue cannot easily be translated into economic impacts, the proposal to expand the healthcare facility can be analyzed.

The focus of this report is the economic impact of the proposed expansion which may not occur should the high speed rail line be added. Below is a summary of economic impacts of the proposed healthcare facility expansion.

### **Output**

- ◆ Construction of the healthcare facility will generate \$118.9 million in direct and indirect economic activity (sales and output) in Sangamon County over the duration of the construction project.
- ◆ Expansion of the healthcare facility will generate \$185.6 million in direct and indirect economic activity (sales and output) in Sangamon County annually

### **Employment**

- ◆ Construction of the health facility will result in direct employment of 645 full-time and part-time workers and indirect employment of 345 workers over the duration of the construction project.
- ◆ Annual operations attributable to the healthcare facility expansion will add direct employment 562 full- and part-time workers and indirect employment 521 jobs in other industry sectors.

### **Employee Compensation**

- ◆ Direct and indirect employment from construction of the healthcare facility will result in employee compensation in excess of \$40.2 million being paid by Sangamon County employers over the duration of the construction project.
- ◆ Direct and indirect employment attributable to the healthcare facility expansion will result in annual employee compensation of \$71.1 million being paid by Sangamon County employers.

### **Value Added**

- ◆ Construction of the health facility will increase the value added (wealth) of Sangamon County by over \$58.4 million, \$35.8 million from construction of the facility directly and \$22.6 million from indirect impacts on other businesses in the region.
- ◆ The healthcare facility expansion will increase the value added (wealth) of the county by over \$88.6 million, \$54.2 million from the operations directly and \$34.4 million from indirect impacts on other industries in the region.

### **Taxes**

- ◆ The proposed expansion would be completed by a not-for-profit organization with tax exempt status and may be eligible for property tax abatements. Therefore, state and local tax impacts would be minimal.

## Economic Impacts from Construction on the Sangamon County Economy

The Regional Development Institute (RDI) at Northern Illinois University completed an analysis of the economic impact on the Sangamon County economy from proposed construction of a healthcare facility expansion. The analysis was completed using the IMPLANPro input/output model developed by Implan group. The model is unique in that the I/O coefficients are based on 2007 county specific patterns.

The analysis includes the economic impact from construction of the proposed healthcare facility expansion over the duration of the construction project. The economic impacts in this analysis are based on an \$80.3 million dollar investment in construction of the proposed healthcare facility expansion in Sangamon County. Annual operational impacts are addressed in the next section.

The analysis summarizes both direct and indirect economic impacts. The direct impacts are those which result from construction such as employee compensation, output, and taxes. The indirect impacts are the secondary effects on the area. For example, as a result of constructing the facility, the Sangamon County economy will experience increased economic activity. This activity will lead to increases in employment, compensation, and output in retail trade, professional services, and other industry sectors.

Below is a summary of the economic impacts generated as a result of construction of the healthcare facility expansion on the Sangamon County economy.

<b>Sangamon County Healthcare Facility Expansion Construction</b>			
	<b>Direct</b>	<b>Indirect</b>	<b>Total</b>
<b>Construction (over duration)</b>			
Employment (full- and part-time)	645	345	990
Employee Compensation	\$27.0 mil	\$13.2 mil	\$40.2 mil
Output	\$80.3 mil	\$38.6 mil	\$118.9 mil
Value Added	\$35.8 mil	\$22.6 mil	\$58.4 mil

## **SUMMARY OF EMPLOYMENT IMPACTS**

- Construction of the health facility will result in employment of 645 full-time and part-time workers in Sangamon County over the duration of the construction project. Indirect employment of an additional 345 jobs will also be created in the state as a result of construction of the facility.
- Of the indirect jobs generated by construction of the healthcare facility in Sangamon County, additional jobs will be created in the following industries:
  - 68 in professional, scientific, and technical services
  - 63 in retail trade industry
  - 40 in health and social services
  - 33 in accommodations and food service
  - 25 in other services
  - 24 in wholesale trade

## **SUMMARY OF OUTPUT IMPACTS**

Output is used as a measure of overall industry productivity and represents the value of an industry's business activities including sales.

- Construction of the healthcare facility will generate \$118.9 million in direct and indirect economic activity (sales and output) in Sangamon County over the duration of the construction project.
- Construction of the healthcare facility itself will result in \$80.3 million in direct and \$38.6 million in indirect output. Outputs will increase in other industry sectors by:
  - \$8.1 million in professional, scientific, and technical services
  - \$4.5 million in real estate and rental
  - \$4.0 million in wholesale trade
  - \$3.3 in health and social services
  - \$3.2 million in finance and insurance
  - \$3.2 million in retail trade
  - \$2.7 million in manufacturing

## SUMMARY OF VALUE ADDED (Wealth) AND EMPLOYEE COMPENSATION

Value Added is a measure of wealth created by businesses in terms of total of employee compensation, rent, interest, taxes, and profit paid or earned. Value Added is an important indicator of the industry's productivity and regional sector strength. Employee compensation includes wages and employee benefits.

- Construction of the health facility will increase the value added (wealth) of Sangamon County by over \$58.4 million, \$35.8 million from construction of the facility directly and \$22.6 million from indirect impacts on other businesses in the region.
- Direct and indirect employment from construction of the healthcare facility will result in employee compensation in excess of \$40.2 million being paid by Sangamon County employers over the duration of the construction project. \$27.0 million will be paid directly as a result of construction and an additional \$13.2 million from indirect impacts on other industries in the region. Employee compensation will increase in other industries in the region by:
  - \$3.7 million in professional, scientific, and technical services
  - \$1.5 million in wholesale trade
  - \$1.5 million in health and social services
  - \$1.3 million in retail trade
  - \$909,000 in finance and insurance
- For every million dollars of employee compensation paid as a result of construction of the healthcare facility, other businesses in the County will pay an additional \$489,000 in employee compensation.

## OTHER ECONOMIC IMPACTS

- ◆ The proposed expansion would be completed by a not-for-profit organization with tax exempt status and may be eligible for property tax abatements. Therefore, state and local tax impacts would be minimal.

## Economic Impacts from Annual Operations on the Sangamon County Economy

The Regional Development Institute (RDI) at Northern Illinois University completed an analysis of the economic impact of a proposed healthcare facility expansion on the Sangamon County economy. The following analysis represents annual economic impacts as a result of operations of the expanded services of the healthcare facility.

The analysis was completed using the IMPLANPro input/output model developed by Implan group. The model is unique in that the I/O coefficients are based on 2007 county specific patterns and include both industry specific direct and indirect impacts. Direct impacts are those that result from annual operations such as employee compensation, output, and taxes. Indirect impacts are the secondary effects on the area. For example, as a result of operations, the Sangamon County economy will experience increased economic activity. This leads to increases in employment, employee compensation, and output in retail trade, professional services, and other industry sectors. The analysis does not include any economic impacts related to the healthcare facility operations on surrounding counties.

The economic impacts in this analysis were developed based on a hospital with total increased employment of 562 full- and part-time employees. Analysis for this industry was completed based on the North American Industrial Classification Code 622 – Hospitals which is the lowest level of detail available.

The economic impacts for the healthcare facility expansion are based on the following assumptions derived from estimates provided:

- 562 additional employees
- \$126.8 million in output or annual sales from expanded services
- \$52.3 million in employee compensation for the additional staff

<b>Sangamon County Healthcare Facility Expansion Annual Operations</b>			
	Direct	Indirect	Total
<b>Operations (annually)</b>			
Employment (full- and part-time)	562	521	1,083
Employee Compensation	\$52.3 mil	\$18.8 mil	\$71.1 mil
Output	\$126.1 mil	\$59.5 mil	\$185.6 mil
Value Added (County GDP)	\$54.2 mil	\$34.4 mil	\$88.6 mil

## **SUMMARY OF EMPLOYMENT IMPACTS**

- The healthcare facility expansion will add 562 full- and part-time workers in Sangamon County. Indirect employment of 521 jobs will also be created in the county as a result of operations.
- Indirect employment will have the greatest impact in the following industries:
  - 86 in retail trade
  - 70 in other health and social services
  - 62 in administrative and waste services
  - 50 in accommodations and food service
  - 50 in professional services
  - 38 in other services
  - 32 in real estate and rental
  - 29 in finance and insurance
- For each 100 employees added to the healthcare facility, 93 additional jobs are created in the County.

## **SUMMARY OF OUTPUT IMPACTS**

Output is used as a measure of overall industry productivity and represents the value of an industry's business activities including sales.

- The healthcare facility expansion will generate \$185.6 million in direct and indirect economic activity (sales and output) in Sangamon County annually, \$126.1 million in direct and \$59.5 million in indirect output.
- Industries with the highest indirect output impacts include:
  - \$8.1 million in other health and social services
  - \$9.3 million in real estate and rental
  - \$4.3 million in retail trade
  - \$3.1 million in administrative and waste services
  - \$6.2 million in finance and insurance
  - \$4.2 million in wholesale trade
  - \$5.3 million in professional services

## SUMMARY OF VALUE ADDED (Wealth) AND EMPLOYEE COMPENSATION

Value Added is a measure of wealth (Gross County Product) created by a business in terms of total of employee compensation, rent, interest, taxes, and profit paid or earned. Value Added is an important indicator of the industry's productivity and regional sector strength. Employee compensation includes wages and employee benefits.

- The healthcare facility expansion will increase the value added (wealth) of the county by over \$88.6 million, \$54.2 million from the operations directly and \$34.4 million from indirect impacts on other industries in the region.
- Direct and indirect employment by the healthcare facility will result in annual employee compensation of \$71.1 million being paid by Sangamon County employers, \$52.3 million directly by the healthcare facility, and an additional \$18.8 million from indirect employment in other industries in the region.
- Indirect employee compensation impacts will be greatest in the following industries:
  - \$3.1 million in health and social services
  - \$2.0 million in professional services
  - \$1.7 million in retail trade
  - \$1.7 million in administrative and waste services
  - \$1.6 million in wholesale trade
  - \$1.5 million in finance and insurance
  - \$1.3 million in management of companies
- Average annual employee compensation for the healthcare facility is estimated to be approximately \$93,100 including fringe benefits.
- For every million dollars of employee compensation paid by the healthcare facility, other businesses in the county will pay an additional \$359,000 in employee compensation.

## OTHER ECONOMIC IMPACTS

- The proposed expansion would be completed by a not-for-profit organization with tax exempt status and may be eligible for property tax abatements. Therefore, state and local tax impacts would be minimal.