

Mendocino Coast Clinics Economic Study

Economic Impact and Potential Demand for Mendocino Coast Clinics

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Introduction

Mendocino Coast Clinics (MCC) is a community nonprofit health clinic, located in Fort Bragg, California, that serves residents of the Mendocino County coast. It is a Federally Qualified Health Center, which means it is eligible to receive one-to-one cash reimbursement for providing health care services to lower-income residents. The state of California helps pay some of the cost of care for those who are able to pay for a portion of their care. Unfortunately, the state has been late in fulfilling its payment obligations to MCC, which threatens the clinic's financial viability.

MCC is the only primary care health clinic that offers sliding scale fees for income eligible people in their service area. The population of the Mendocino Coast is over 20,000, and it is likely that without MCC people on the coast who need clinic services would have to use the local hospital emergency room or travel an hour over winding mountain roads to reach the nearest clinic.

Purpose and Limitations of the Study

The purpose of this study is to estimate the impact of Mendocino Coast Clinics on the local economy of Mendocino County. The study's objective is to reveal possible consequences of losing this health center and how that would impact the community's levels of population, income, and business revenues.

Many of the negative effects on the local community, perhaps including some of the most important ones, are difficult to quantify. Among the adverse impacts of the loss of the facility are the impact on the quality of life of local residents and the ability to attract and/or retain residents and businesses. Any negative impact on future population may have additional consequences for property values and local tax revenues, potentially leading to further reductions in local government services and the quality of life for Mendocino Coast residents. Depending on the extent of the population impact it is also possible that if some threshold is reached, the area may experience the loss of existing retail and service businesses.

While these potential impacts are impossible to quantify, it is quite possible that they are significant. Some individuals might choose to leave the area, while others may choose not to come at all. Potential new businesses might avoid locating on the Mendocino Coast due to limitations on health care services for their employees. In each case, these responses will lead to population reductions, lower property values, and reduced local revenues. If those who might choose to leave are, for economic reasons, unable to do so, the impact of reduced availability of health care services would manifest itself in terms of a reduction in the quality of life for those who must delay or never seek appropriate care. Use of the Mendocino Coast District Hospital's emergency room may increase as a substitute of Mendocino Coast Clinics, but these services are much more expensive for the patient who is able to pay, cost more to deliver, and are not comprehensive in nature. Whether the cost is expressed in terms of reduced population and economic activity or a

reduction in the quality of life for those who are locked into the region, the closure of MCC does impose costs that are not quantified in this report.

Summary: Market Growth and Net Impact of MCC Operations

The need for services on the Mendocino Coast is growing. The area sees a substantial amount of in-migration, especially from families with children ages 0 to 4, adults ages 20 to 39, and early- and near-retirees ages 45 to 64. As the state's baby boomers continue to reach the latter age group, the number of younger and older seniors is expected to grow rapidly through 2020. This is the age group that is most in need of medical, dental, and behavioral health care services.

As the area's economy increasingly becomes reliant on service industry jobs, Mendocino Coast Clinics is becoming vital because these jobs are low wage, seasonal and usually do not provide any health benefits. The gross economic impact of MCC, the impact of all operations, is over \$8.4 million in revenue to businesses and organizations (including for profit, nonprofit, and government organizations), nearly \$5.3 million in labor income (income to employees and business owners), and 136 jobs. This includes the direct impact of MCC and a secondary impact of over \$2.8 million in revenue to other businesses and organizations in the community, over \$925,000 in labor income, and twenty-eight jobs.

Other Considerations: Future Impact and Economic Viability

The economic impact of Mendocino Coast Clinics will grow as demand for its services increases with the growing senior population on the Mendocino Coast. The physician population is also ageing and a majority of them plan to retire within the next ten years.

While MCC clearly has a positive impact on the area economy, its continued economic viability does depend on the availability of government grants and other funding assistance. However the amount of assistance required to keep the clinic solvent in the future may decline over time if its market for privately paid services increases as expected.

Analytical Approach and Report Scope

This report explores several demographic and economic issues that are related to the presence of MCC on the Mendocino Coast. The first issue concerns past trends in net migration to and from the Mendocino Coast by age, with the analysis focusing on two groups that typically need local health care: young families and senior citizens. The second issue is the economic impact in terms of revenue to businesses and organizations, labor income, and jobs in Mendocino County if MCC were to close due for financial viability reasons. The third issue is related to clinic health care alternatives available to

coastal residents. Finally, the report concludes with a statement linking the two analyses provided.

Figure 1 – Mendocino Coast Clinics Market Area Map



Map created by the Center for Economic Development at CSU, Chico.

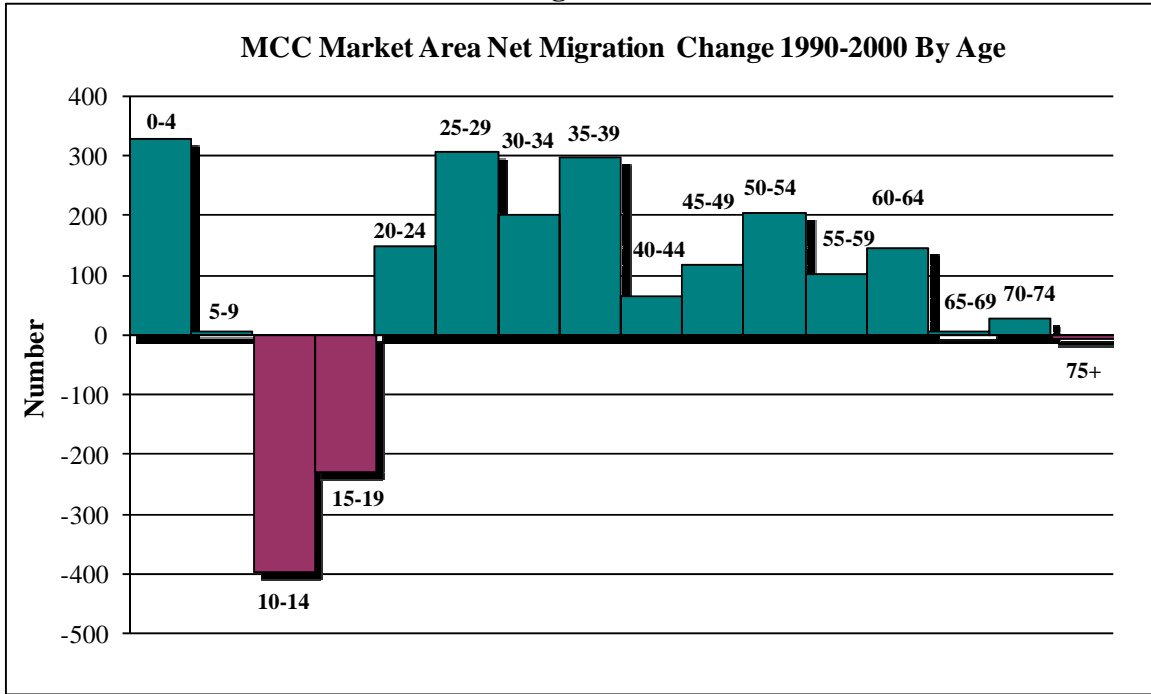
The Mendocino Coast Clinics Market Area

The market area for MCC is defined as the area from Westport to Elk and about twenty miles inland to Comptche. The total population of the MCC Market Area was 20,871 in 2000. The nearest health care provider who offers sliding scale services for the low income and uninsured patients is located in Willits.

Population Migration Trends and Projections

Using population by age in the 1990 and 2000 census, combined with the annual number of deaths by age between these census dates, the CED can calculate net migration by age. Figure 2 shows five-year population age groups and net migration change between 1990 and 2000.

Figure 2

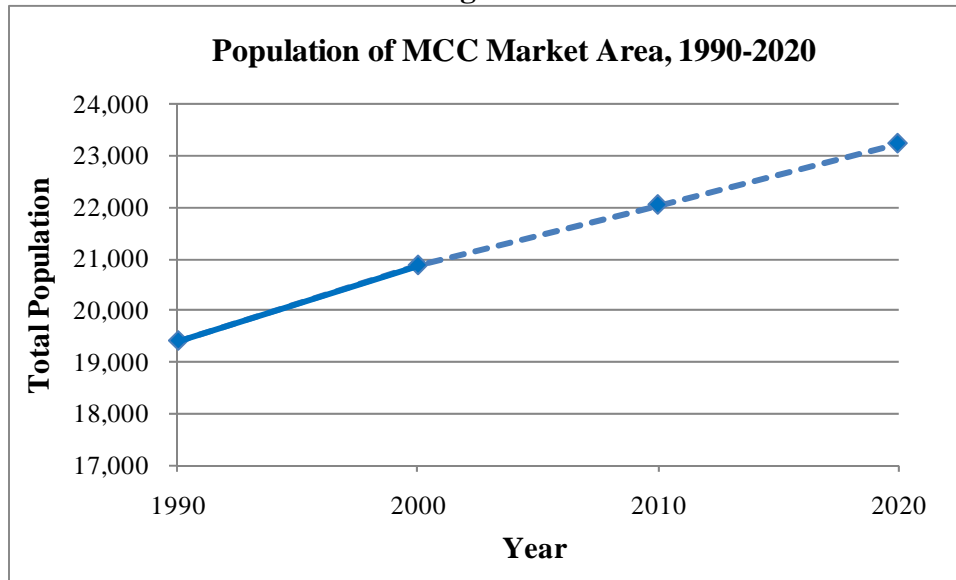


Source: U.S. Department of Commerce, Bureau of the Census; California Department of Health Services, and the Center for Economic Development at CSU, Chico.

The peak in-migration ages for MCC market area residents are young children under the age of 4, family-age adults between the ages of 25 and 39, and middle-age adults between the ages of 45 and 64. There is a substantial net out-migration for young people 10 to 19 years old.

Using current and projected population statistics at the state level, the CED can project the population of MCC's market area assuming the current migration pattern by age group remains unchanged in the future. Between 1990 and 2000, the population of the MCC market area grew by 1,468 people from 19,403 to 20,871. If the same migration pattern continues, the population can be expected to increase by an additional 2,366 people in the twenty-year time frame to 23,237 residents by 2020 (see Figure 3).

Figure 3

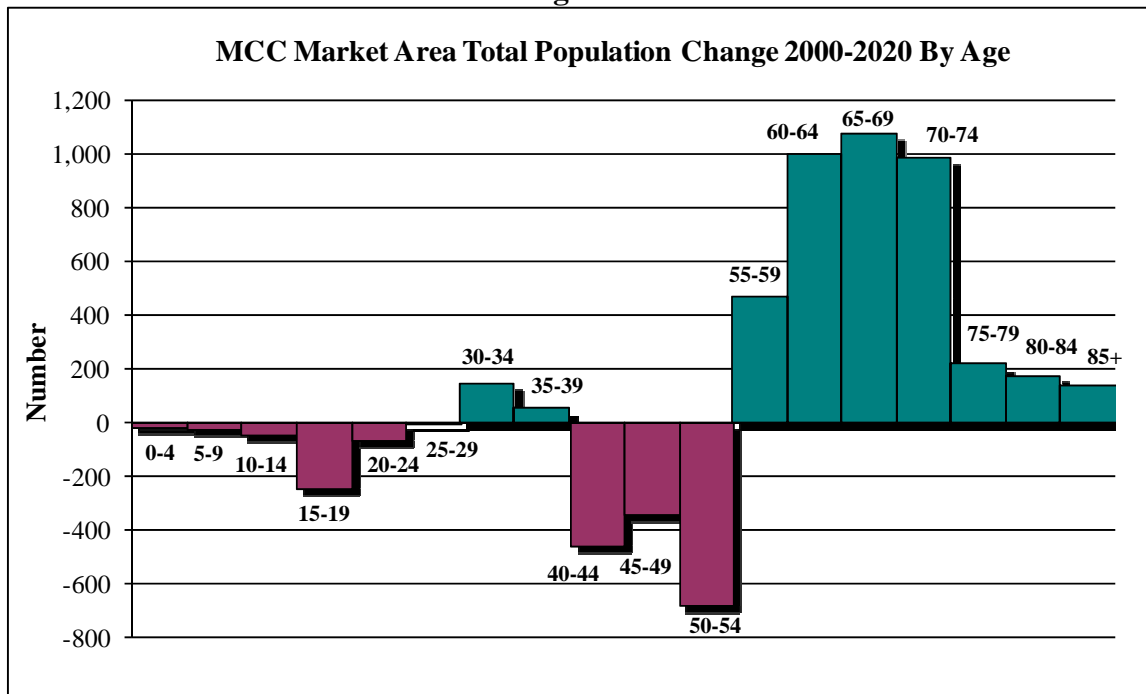


Source: U.S. Department of Commerce, Bureau of the Census; California Department of Health Services, and the Center for Economic Development at CSU, Chico.

This population projection method allows forecasts of population by age. This technique is useful because it allows the evaluation of change in population for age groups that tend to use health care facilities, such as young children and older adults. Figure 4 shows expected population change by age between 2000 and 2020. Here, the effect of California’s baby boomers in the MCC market area becomes apparent. During this period, the population of individuals over the age of 55 is expected to increase by 4,043. Indeed, this is the only age range where any substantial population increase is expected through 2020.

The population of older adults in this area is growing fast. These adults have an increased need for clinic services and therefore are an especially important group to MCC. While total population is slowly increasing on the Mendocino Coast, the number of residents most likely to use MCC is growing at a much faster rate. This increase will be due to the need for multiple service jobs as home health aides, nursing professionals and other allied health personnel. The significance of this is two-fold. First, MCC can expect its potential market to grow in the near future. Second, there is a large group of community residents who may not choose to locate on the coast if a health clinic were not available, or they may choose to leave the area. The loss of the clinics means a potential loss of hundreds of additional people, and potentially a loss of millions of dollars in revenue for the local economy as a result.

Figure 4



Source: U.S. Department of Commerce, Bureau of the Census; California Department of Health Services, and the Center for Economic Development at CSU, Chico.

Economic Impact of MCC

MCC employed 108 people during 2007 (total count of income tax W2s)¹ with a total payroll (including benefits) of \$4,342,210 during the last fiscal year. Net revenue from services provided was \$5,612,404.

The economic impact of MCC is not limited to the direct expenditures, payroll, and jobs it provides to the community. There is also a secondary impact, which is the sum of indirect and induced spending and job losses. Secondary losses cover situations such as an employee of MCC buying groceries at the local store or having their vehicle repaired at a local shop. If an employee’s income were no longer there because the clinic has closed, the grocery store and repair shop would also lose business as a result. Secondary impact also considers losses to janitorial services or other goods and services MCC may buy locally.

In order to estimate the economic impact of MCC, the CED used the IMPLAN economic impact modeling system. IMPLAN uses existing economic data to create a spending matrix that models transactions between industries, households, and government organizations. The model estimates dollar transactions between these institutions and

¹ The CED used MCC’s count of W2s for 2007 because this figure is consistent with employment estimates provided by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA). The IMPLAN economic impact analysis system uses BEA data for its economic model, so this figure is more consistent with IMPLAN data than total jobs counted at a single point in time.

organizations so that the economic impact to the entire economy can be estimated from a disruption in modeled dollar flows. The loss of MCC would be an example of a disruption because dollars flowing through that organization would no longer be flowing through the local community.

The gross economic impact of MCC, the impact of all operations, is over \$8.4 million in revenue to businesses and organizations (including for profit, nonprofit, and government organizations), over \$5.2 million in labor income (income to employees and business owners), and 136 jobs. This includes the direct loss to the clinics and a secondary impact of over \$2.8 million in revenue to other businesses and organizations in the community, over \$925,000 in labor income, and twenty-eight jobs.

Figure 6 – Gross Economic Impact of MCC

Impact Type	Direct Impact	Secondary Impact	Total Impact
Revenue to Businesses and Organizations	\$ 5,612,404	\$ 2,809,641	\$ 8,422,045
Labor Income	\$ 4,342,210	\$ 925,737	\$ 5,267,947
Jobs	108	28	136

Source: IMPLAN Economic Impact Analysis System and Center for Economic Development at CSU, Chico

This analysis does not consider the ancillary economic benefits of the presence of MCC in Fort Bragg. This includes businesses or government establishments that may have to leave the community without a health clinic present. In addition, it is possible that some residents would choose to relocate out of the area. That would bring additional economic losses to the area in terms of reduced spending, income, and property values.

The possibility also exists that the economic impact analysis somewhat overstates the effect of MCC on the local economy. Closure of the facility is not likely to result in the loss of all local health care services currently supplied by the clinic. Other service providers, such as Mendocino Coast District Hospital, may expand its emergency services or its provider-based rural health clinic to fill a portion of the void created by MCC's closure. However, services provided by the hospital would be more expensive and, for the lowest-income residents of the Mendocino Coast who are unable to pay for services, could prove to be an unbearable financial burden for the hospital, threatening its solvency as well.

Conclusion

The population of the Mendocino Coast that is most in need of medical, dental, behavioral health, and perinatal services is growing and will continue to grow in the near future. If Mendocino Coast Clinics was to close, the overall economic cost would increase over time. In 2007, the economic cost would have been \$8.4 million in revenue to businesses and organizations, nearly \$5.3 million of which was paid out as labor income. Therefore, closure of the clinic would represent a tremendous loss to the community, not only in economic terms, but also in terms of quality of life. Residents

would have to use a local emergency room or travel an hour or more over winding mountain roads to receive services that would more efficiently be delivered by a local community clinic such as Mendocino Coast Clinics.