

# **Siskiyou Family Healthcare Economic Study**

**Economic Impact and Potential Demand for Siskiyou Family Healthcare, Inc.**

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Analysis and report completed by:  
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## **Introduction**

Siskiyou Family Healthcare (SFH) is a Certified Rural Health Clinic and Community Health Center located in Yreka, California, which is about 20 minutes south of the Oregon border on Interstate 5. SFH serves northern Siskiyou County. 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 able to pay for a portion of their own care. Unfortunately, the state has been late in fulfilling its payment obligations to SFH, which threatens the clinic's financial viability.

## **Purpose and Limitations of the Study**

The purpose of this study is to estimate the impact of Siskiyou Family Healthcare on the local economy of Siskiyou 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 clinic are the effect 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 northern Siskiyou County 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 in northern Siskiyou County due to limitations on medical 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, then the impact of reduced availability of medical services would manifest itself in terms of a reduction in the quality of life for those who must delay or never seek appropriate medical care. Use of the local hospital's emergency room may increase as a substitute for SFH; however, these services are not only much more expensive for the patient who is able to pay, but also cost more to deliver for those who cannot. 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 Siskiyou Family Healthcare does impose costs that are not quantified in this report.

### **Summary: Market Growth and Net Impact of SFH Operations**

The need for clinic services in northern Siskiyou County is growing. The area sees a substantial amount of in-migration, especially from families with children ages 0 to 4, adults ages 25 to 44, and early-, near-, and new retirees ages 45 to 69. 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 clinic services.

The gross economic impact of SFH, the impact of all operations, is over \$1.6 million in revenue to businesses and organizations (including for profit, nonprofit, and government organizations), nearly \$1.0 million in labor income (income to employees and business owners), and thirty-three jobs.

### **Other Considerations: Future Impact and Economic Viability**

The economic impact of SFH will grow as demand for its services increases with the growing senior population in northern Siskiyou County. While Siskiyou Family Healthcare clearly has a positive impact on the area economy, its continued economic viability does depend on the availability of some form of government assistance. However, the amount of required assistance may decline over time.

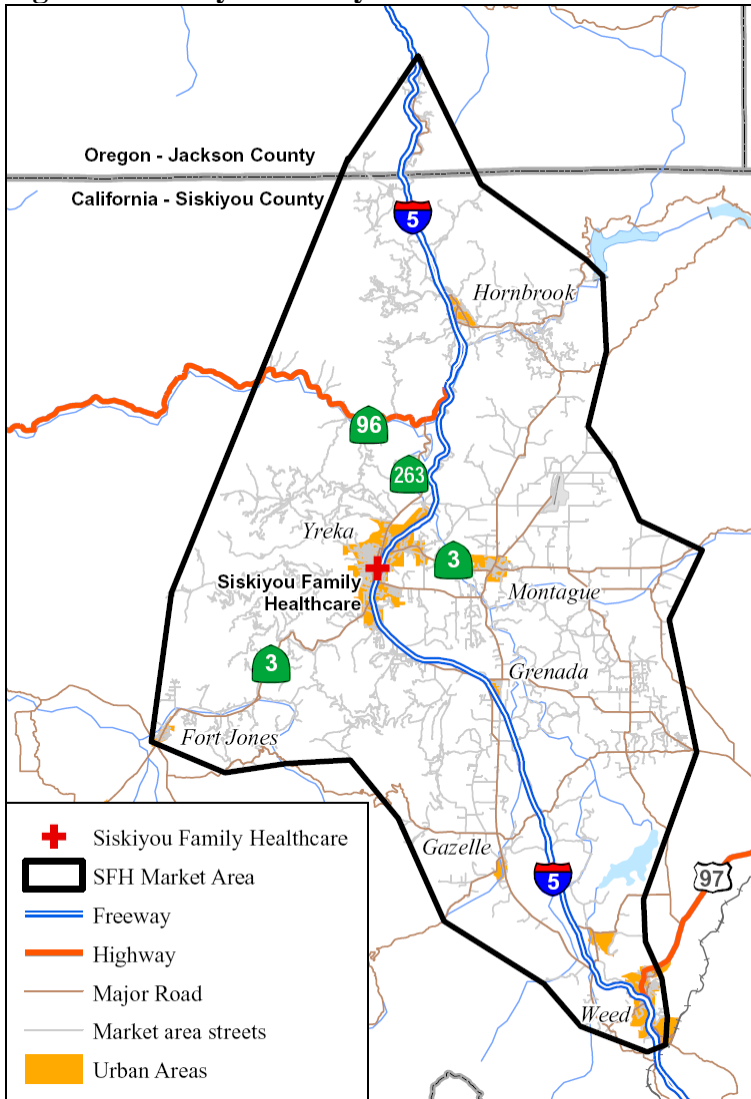
### **Analytical Approach and Report Scope**

This report explores several demographic and economic issues that are related to the presence of SFH in northern Siskiyou County. The first includes past trends in net migration to and from northern Siskiyou County 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 Siskiyou County if SFH were to close due to financial reasons. The third issue is related to clinic health care alternatives available to county residents. Finally, the report concludes with a statement linking the two analyses provided.

### **Siskiyou Family Healthcare Market Area**

The market area for SFH is defined as the area within a thirty-minute drive of SFH. The market area extends south to Weed and north to the Oregon border along Interstate 5. It also extends east to Montague and west to Fort Jones on State Highway 3. The total population of the SFH market area was 24,347 in 2000.

**Figure 1 – Siskiyou Family Healthcare Market Area Map**

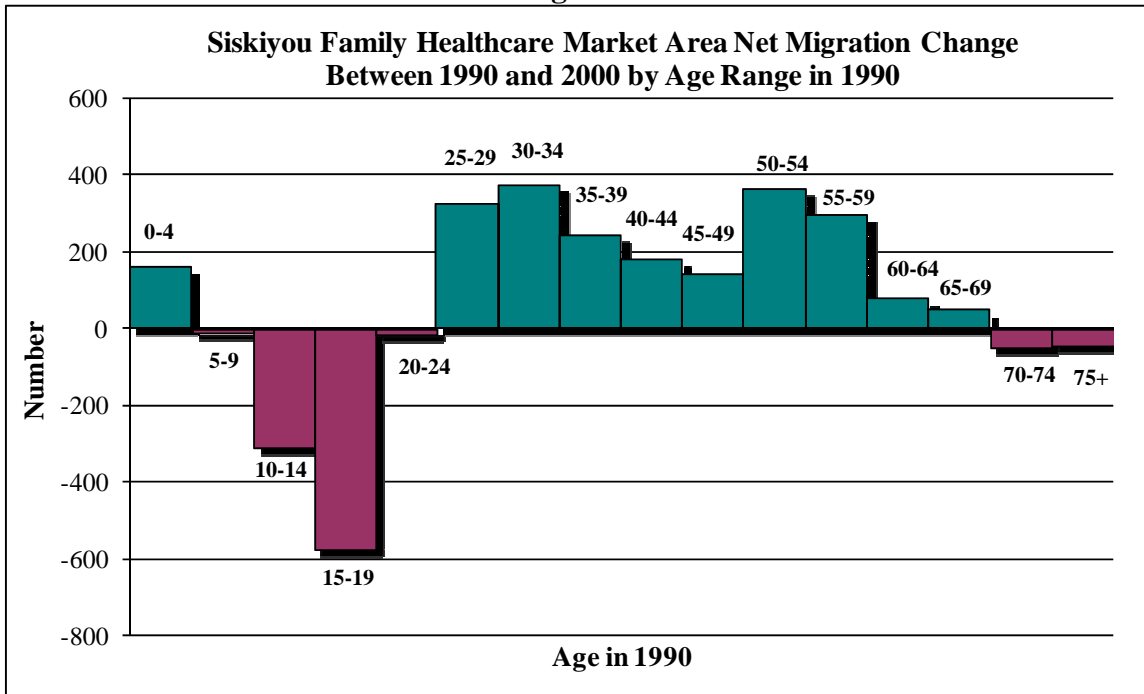


Map created by the Center for Economic Development at CSU, Chico.

### **Population Migration Trends and Projections**

By using population by age in the U.S. Census of 1990 and 2000, 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 (in-migration minus out-migration) between 1990 and 2000. The chart shows age in 1990 and net migration for that group over the next ten years. For example, the chart shows the migration pattern for people ages 0 to 4 in 1990 as they age to 10 to 14 in 2000.

**Figure 2**

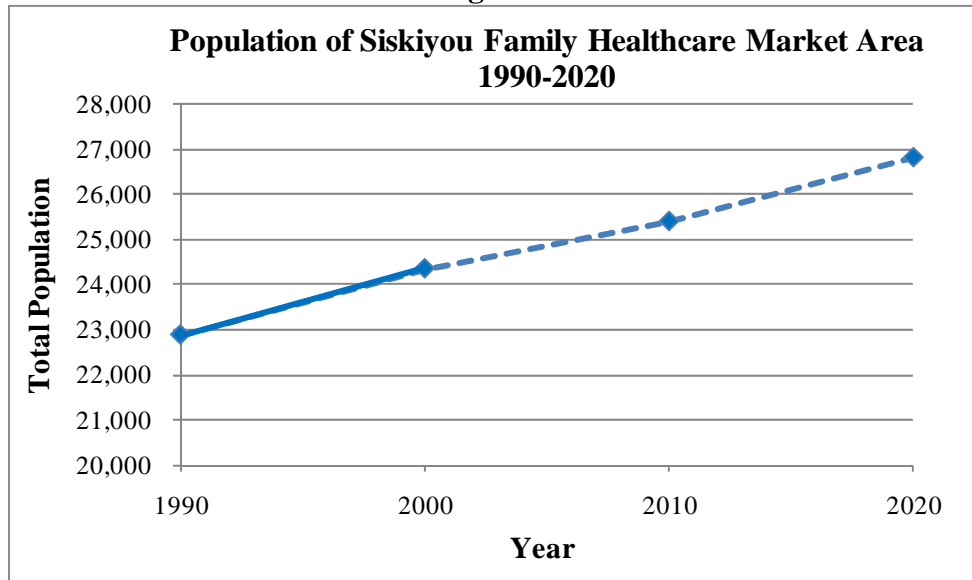


Source: U.S. Department of Commerce, Bureau of the Census; California Department of Health Services, and the Center for Economic Development at CSU, Chico.

The peak in-migration ages for SFH market area residents are young children under the age of 4, family-age adults between the ages of 25 and 44, and early- and near-retirement adults between the ages of 50 and 59 as they all age over the next ten years. There is a substantial net out-migration for young people ages 10 to 19 as they age to 20 to 29 years old, a period during which people usually graduate from high school and college.

Using current and projected population at the state level, the CED can project the population of the SFH market area assuming the current migration pattern by age group remains unchanged in the future. Between 1990 and 2000, the population of the SFH market area grew by 1,468 people from 22,879 to 24,347. If the same migration pattern continues, the population can be expected to increase by an additional 2,463 people in the twenty-year time frame to 26,810 residents by 2020.

**Figure 3**

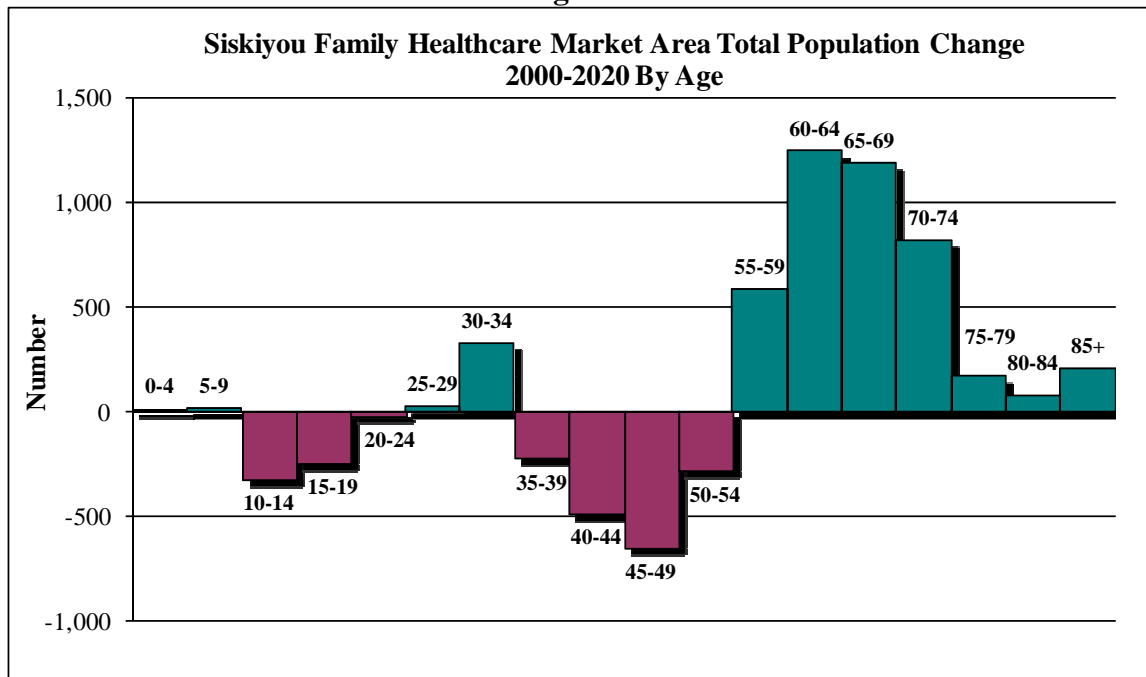


Source: U.S. Department of Commerce, Bureau of the Census; California Department of Health Services, and the Center for Economic Development at CSU, Chico.

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 medical 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 SFH market area becomes apparent. During this period, the population of individuals over the age of 55 is expected to increase by 4,287. Indeed, this is the only age range where any substantial population increase is expected through 2020. The number of children ages 0 to 9, another indicator of health care use by children and mothers, is expected to remain relatively unchanged between 2000 and 2020. This means that recent decreases in elementary school enrollment are expected to reverse in the next decade.

While total population is increasing slowly in northern Siskiyou County, the number of residents most likely to use SFH is growing at a much faster rate. These adults have a direct need for clinic services and therefore are an especially important group to SFH. The significance of this is two-fold. First, SFH can expect its potential market to grow in the near future. Second, this is a large group of community residents that may not choose to locate in the SFH market area if health clinic services were insufficient, or they may choose to leave the area. The loss of the clinic means a potential loss of hundreds of additional people as well as a potential loss of millions of dollars in revenue for the local economy as a result of lost retirement income.

**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 Siskiyou Family Healthcare**

SFH employed twenty-seven people during 2007 (total count of income tax W2s)<sup>1</sup> with a total payroll (including benefits) of \$827,641 during the last fiscal year. Net revenue to the organization was \$1,130,155.

The economic impact of the clinic 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 jobs. Secondary impacts cover situations such as an employee of the hospital buying groceries at the local store or having their vehicle repaired at a local shop. If the employee’s income no longer existed due to closure of clinic, the grocery store and repair shop would also lose business as a result. Secondary impacts would also include losses to janitorial services and other businesses supplying goods and services the hospital buys locally.

In order to estimate the economic impact of SFH, 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

<sup>1</sup> The CED used SFHC’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 SFH would be an example of a disruption because dollars flowing through that organization would no longer be circulating through the local community.

The gross economic impact of SFH operations is over \$1.6 million in revenue to businesses and organizations (including for profit, nonprofit, and government organizations), nearly \$1.0 million in labor income (income to employees and business owners), and thirty-three jobs. This includes the direct loss of the clinic and a secondary impact of over half a million dollars in revenue to other businesses and organizations in the community, over \$164,000 in labor income, and six jobs.

**Figure 6 – Gross Economic Impact of Siskiyou Family Health Care**

<b>Impact Type</b>	<b>Direct Impact</b>	<b>Secondary Impact</b>	<b>Total Impact</b>
Revenue to Businesses and Organizations	\$ 1,130,155	\$ 516,068	\$ 1,646,883
Labor Income	\$ 827,641	\$ 164,028	\$ 991,669
Jobs	27	6	33

*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 SFH in Yreka. This includes businesses or government establishments that may have to leave the community with insufficient health clinic services in the community. In addition, it is possible that some residents would choose to relocate out of the area. That would bring additional economic impacts 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 SFH on the local economy. Closure of the facility is not likely to result in the loss of all local clinical health services. Other service providers, such as Fairchild Medical Center, may expand its clinical and/or its hospital emergency services to fill a portion of the void created by SFH’s closure. However, services provided by the hospital would be more expensive and, for the lowest-income residents of northern Siskiyou County who are unable to pay for services, could prove to be an unbearable financial burden for Fairchild and threaten its solvency as well.

## **Conclusion**

The population of northern Siskiyou County that is most in need of medical services is growing and will continue to grow in the near future. If Siskiyou Family Healthcare were to close, the overall economic cost would increase over time. In 2007, the economic cost would have been \$1,646,883 million in revenue to businesses and organizations, nearly \$1 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,

overburden other clinical health facilities in Yreka, or travel nearly an hour over mountain passes that sometimes close during the winter to overburdened health facilities in other communities. Clearly, clinical health services for northern Siskiyou County residents would be more efficiently delivered by a local community clinic such as Siskiyou Family Health Center.