



Success Story | Modoc Medical Center is Saved through the Creation of a New Hospital District with Help from the Center for Economic Development

Economic and Planning Services for Rural Hospitals

Residents of Modoc County, California have watched their county sink further into debt year after year as the local hospital continued to incur losses. Modoc Medical Center (MMC), the local municipal hospital, was in debt nearly \$10 million to Modoc County at the end of 2007. The county faced an average \$2.5 million loss annually over the three years prior. This fiscal situation could not continue and the hospital was in danger of shutting its doors permanently. However, county residents proposed to save the hospital by separating it from the county and creating a local hospital district to provide property tax revenue. MMC contracted with economic and demographic market research experts from the Center for Economic Development (CED) to perform an economic impact analysis to show the benefit to county residents of taxing themselves to save the hospital.

The CED provided the county with the information necessary to show the economic feasibility of the new hospital district. This study estimated the economic impact of MMC operations on Modoc County's local economy, compared to economic losses of a new special tax to save the hospital. To continue providing services to the community, MMC determined the hospital district would need to subsidize the hospital with up to \$1.5 million property tax revenue. However, CED showed that the hospital was responsible for a \$5.5 million in personal income in Modoc County, including captured hospital spending and insurance payments for care. CED was able to frame the issue as a choice of losing \$1.5 million in household spending with the property tax, or losing \$5.5 million in household income. Framed in that light, the choice was clear.

The hospital district proposal was placed on the ballot in August 2010 and passed! The economic impact information provided by CED was an important argument. Indeed, property owners agreed to fund the hospital with \$3 million in property tax revenue, which CED's study showed was still a positive net impact of \$2.5 million. In addition, district property owners also receive an annual \$150 tax credit toward MMC hospital bills, which could make the actual cost to households as low as \$700,000, producing even more positive net economic benefit. Thanks to CED and the successful ballot measure, this was a win-win situation for MMC and Modoc County residents.

Does your hospital need to know its impact on the community? Economic specialists from the CED can help.

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