

Economic and Fiscal Impacts of Children's Mercy

August 2020

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Executive Summary

INTRODUCTION

BW Research Partnership, Inc. (BW Research) examined the economic and fiscal impacts of the Children's Mercy's organization on Missouri, Kansas, and five counties that make up the Kansas City Study Region.¹ Children's Mercy (CM) has a foundational influence on the region, and economic impact analyses allow audiences to gain a better understanding of the magnitude and scope of those impacts and influences. Economic impact analyses quantify CM's economic effects on the region by measuring investment and spending patterns to model the flow of money throughout a regional economy. The results of these analyses demonstrate that the impact of CM far exceeds the institution's direct employees and support CM's reputation as an essential institution in Kansas City.

ABOUT THE RESEARCH TEAM

BW Research Partnership is a full-service applied economic research firm with deep experience measuring the scale and changes of regional economies and exploring the evolving world of work. BW Research is a national leader in economic and workforce impact research, and the firm has developed an extensive protocol for analyzing local, statewide, and national industry ecosystems and conducting research that engages with local businesses to provide our clients with robust and reliable data-driven findings. BW Research has offices in Carlsbad, CA and Wrentham, MA.

METHODOLOGY

The research team received internal data from Children's Mercy comprising all hospital expenditures including new construction costs, employee compensation, vendor expenditures, fixed asset expenditures, community contributions (including uncompensated or subsidized care), and contributions to local civic organizations. The data were categorized by geographic region using zip codes and aggregated into 6-digit NAICS (North American Industry Classification System) categories for input into the economic impact (Input-Output) model. When possible, the research team used annualized spending numbers to avoid outliers of any given year. The EMSI (Economic Modeling) Input-Output Economic Impact Model was used to determine the direct, indirect, induced, and fiscal effects of Children's Mercy. For more information about the research methodology, please see the Methodology section at the end of the report on page 26.

KEY FINDINGS

The key findings and takeaway from the economic impact analyses are highlighted below. These findings include the impacts at combined and individual state (Missouri and Kansas) and regional (combination of select counties) levels.

¹ The five counties of the Kansas City Study Region are Jackson, Clay, and Platte counties in Missouri and Johnson and Wyandotte counties in Kansas.

Combined Impacts in Missouri and Kansas

CM creates and sustains over 32,000 jobs per year within Missouri and Kansas and is responsible for nearly \$2.4 billion in Gross Regional Product (GRP), which is equivalent to the contribution of the Natural Gas Extraction industry in the two states. Other metrics include:

- CM generates more than \$3.5 billion in economic activity, the equivalent of hosting 249 Big 12 Men's Basketball tournaments annually.²
- CM's economic activity results in \$135 million in net tax revenue annually, \$110 million of which is state and local taxes.

Impacts in Individual States

20,300 jobs are created and sustained annually by CM activity within Missouri alone, and an additional 12,000 jobs are created and sustained in Kansas. This is equivalent to the number of Plumbing, Heating, and Air-Conditioning Contractors in Missouri and the number of workers in Continuing Care Retirement Communities in Kansas. CM activity in Missouri results in over \$84 million in net local, state, and federal taxes annually. Activity in Kansas generates a net \$51 million in annual fiscal impacts.

- The \$1.6 billion in value added (GRP) in Missouri generated by CM is 6% of the GRP of all Hospitals within the state.³
- CM output, totaling \$1.2 billion, accounts for roughly 5% of the output generated by the entire healthcare sector within Kansas.⁴

Community Impacts

CM invested more than three-quarters of a billion dollars (\$751 million) in the Kansas City community between the 2016 and 2019 fiscal years. During the 2019 fiscal year alone, CM invested \$162 million.

- More than half of the \$162 million (61%) went towards uncompensated care and subsidized health services.
- CM also contributed more than \$24 million towards the education of health professionals in the region.
- Nearly \$14 million went towards Community Health Programs and Partnerships in Kansas City.

² Big 12 Men's Basketball Tournament impact based on \$14.2 million figure cited in the press release found here: <https://www.bizjournals.com/kansascity/news/2018/03/08/big-12-tournament-kc-economic-impact.html>

³ Based on the \$26 billion GSP figure cited here: https://www.mhanet.com/mhaimages/Economic_Impact/Hospital_Economic_Impact_Report.pdf

⁴ Based on the \$25.7 billion output figure cited here: <https://www.bizjournals.com/wichita/news/2018/02/14/study-kansas-health-care-sector-generates-25b-in.html>

Research at Children's Mercy

The activity at the new Research Institute at Children's Mercy is projected to create and sustain 535 jobs a year and generate more than \$80 million in economic activity within the Kansas City Study Region,⁵ equivalent to \$57 million in GRP, comparable to the GRP of all Jewelry Stores in the region.

"We know the economy of the future is centered around research and innovation, and CM will continue to be a key resource in ensuring that part of the Kansas City economy continues to grow."

Marc Hill, President of the Civic Council of Greater Kansas City

Kansas City Study Region Impacts

Within the five counties making up the Kansas City Study Region, **about 20,000 jobs are created and sustained annually, generating \$2.8 billion in economic output. This is equivalent to hosting 200 Big 12 Men's Basketball Tournaments per year, or more than a tournament every other day throughout the year.** This economic activity generates a net \$83.5 million in taxes annually, and \$1.9 billion in GRP, comparable to the GRP of Offices of Lawyers within the Kansas City Study Region.

Kansas City Study Region – Missouri Counties Only

About 16,000 jobs are created and sustained within Jackson, Clay, and Platte counties in Missouri. These jobs generate nearly \$2 billion in economic activity and nearly \$1 billion in labor income. CM activity results in an additional \$1.3 billion in GRP in this region, equal to the GRP of legal offices industry within the three counties.

Kansas City Study Region – Kansas Counties Only

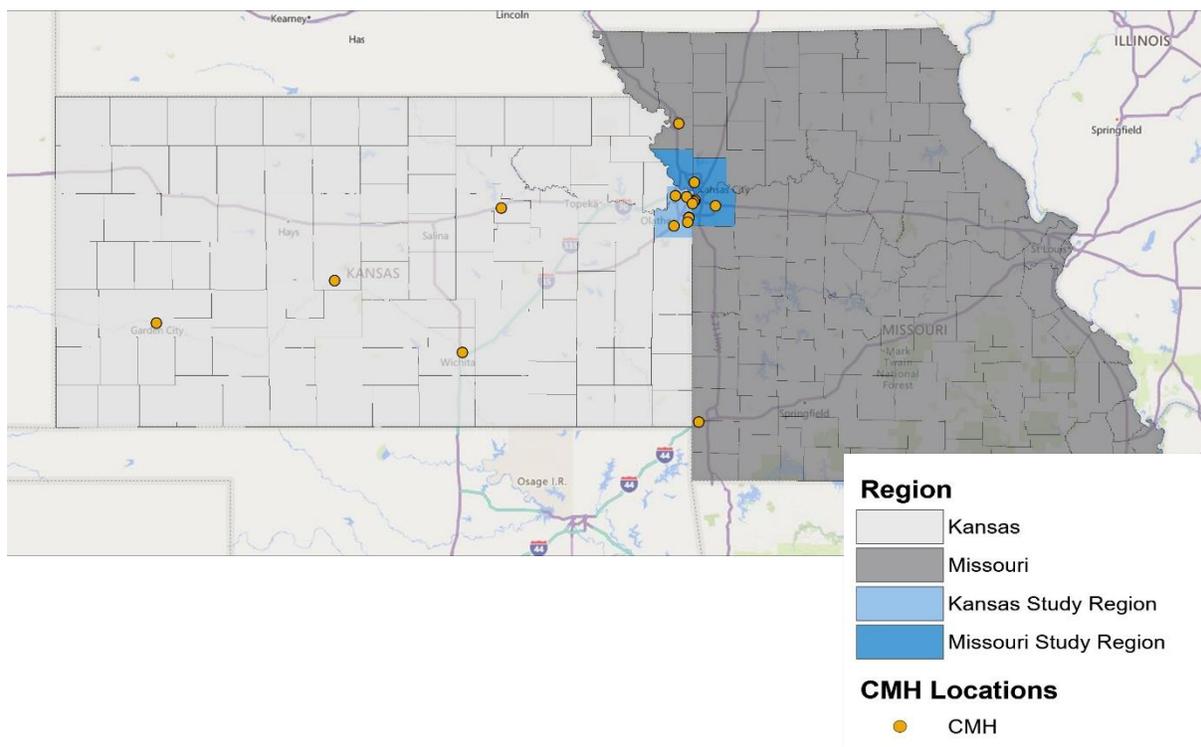
CM activity in Johnson and Wyandotte counties in Kansas creates and supports an additional 4,000 jobs annually, generating \$846 million in economic activity and more than \$18 million in net fiscal impacts. The \$571 million in GRP generated in the region is equivalent to the GRP of Elementary and Secondary Schools (Local Government) within the region.

⁵ The five counties are Jackson, Clay, and Platte counties in Missouri and Johnson and Wyandotte counties in Kansas.

Overview

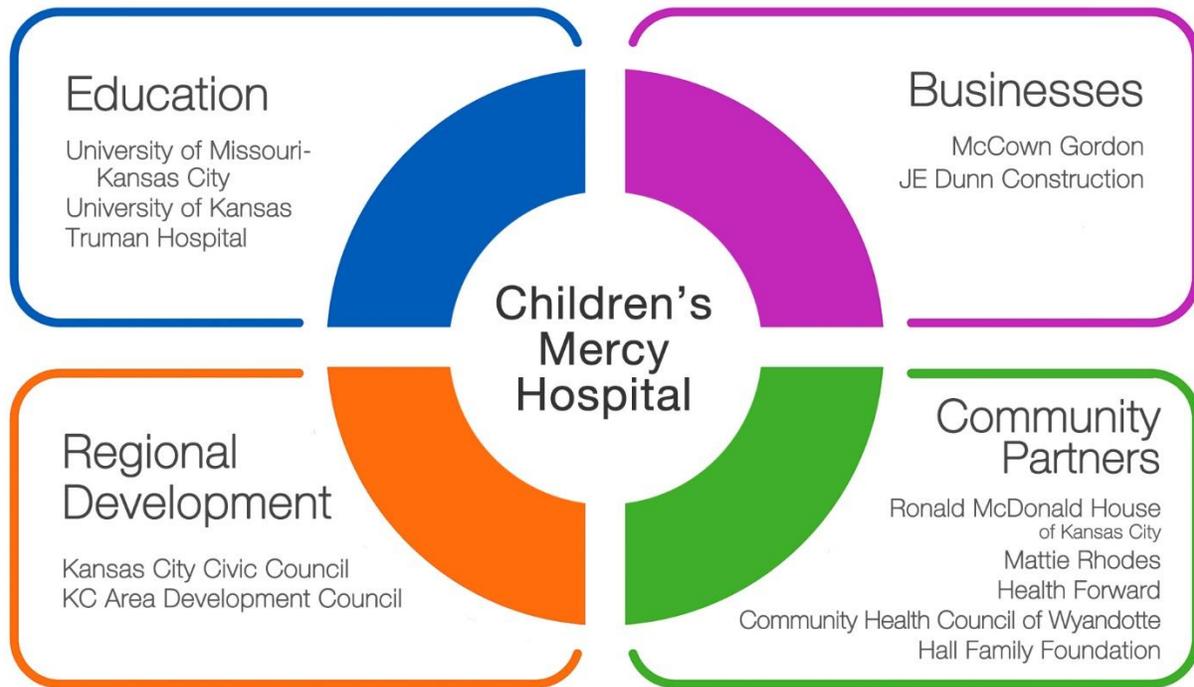
BW Research Partnership conducted an economic impact study to examine Children's Mercy (CM)'s impact across the states of Missouri and Kansas. This analysis captures the economic and fiscal impact of the Adele Hall Campus as well as the 13 clinics and urgent care facilities (indicated by the orange dots in Figure 1 below) located throughout the two states. This report includes regionally specific impacts at the state and region-level, as well as a broader "overall" impact throughout the two states. The report also includes stories behind the economic activity, and highlights ways that Children's Mercy's impact extends beyond the numbers.

Figure 1. Map of CM Facilities and Study Regions



Children's Mercy is a central institution in the Kansas City Study Region. Figure 2 highlights some of the key regional partners and relations that CM has throughout the region. Many of these organizations, such as the Ronald McDonald House and the Kansas City Civic Council, have symbiotic relations with CM, where collaboration ensures that both organizations have maximum efficiency and effectiveness in achieving their mission.

Figure 2. Children's Mercy Stakeholders



Children's Mercy served more than 1.1 million patients over the course of the 2019 fiscal year. As Figure 3 shows, the number of patients served has increased steadily over the past four years. In fact, the number of patients served has increased 69% from the 2016 fiscal year.

Figure 3. Number of Persons Served at CM Facilities



“Having spent my entire life in this region, it is hard to find someone whose life has not been touched by Children’s Mercy.”

Charlie Shields, President and CEO of Truman Hospital

Introduction to Economic Impacts

This section of the report provides an overview of the types of economic impacts. To capture the complete range of economic activity that occurs as a result of Children’s Mercy, the economic impacts are broken down into direct, indirect, and induced effects.

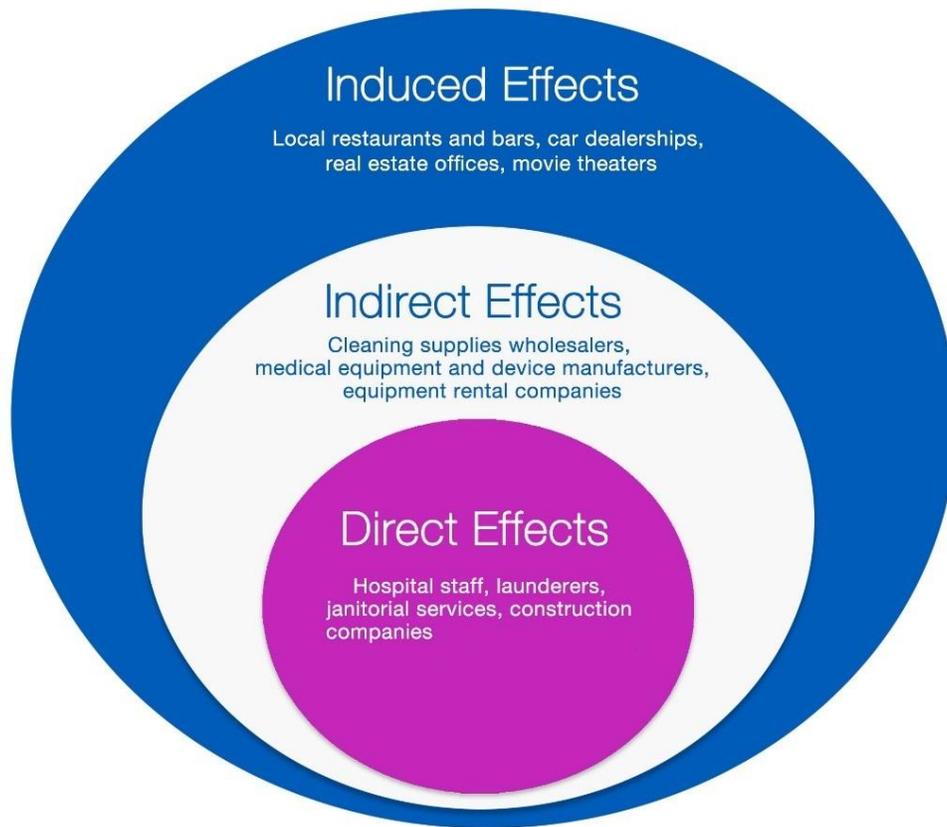
- **Direct effects** show the change in the economy associated with the initial job creation and or initial economic activity. In this case, direct effects would include CM’s operational expenditures on employee salaries, community and professional organizations sponsored by CM, and construction and vendor (such as laundry and janitorial) services.
- **Indirect effects** include all the backward linkages or the supply chain responses as a result of the initial (direct) effects. An example of an indirect effect would be a new delivery driver who is hired to deliver the additional cleaning supplies that the laundry and janitorial services require to do their work for the hospital.
- **Induced effects** refer to household spending and are the result of direct and indirect workers spending their wages. An example of an induced job would be a local restaurant hiring more staff because there are more hospital and janitorial staff in the area patronizing that restaurant.

Other terms used in the economic impact analysis are:

Labor Income	The total value of monetary paychecks and benefits received by relevant parties.
Value Added	Gross output less intermediate inputs. This is equivalent to Gross Regional Product (GRP).
Output	The total economic impact, which includes value added and intermediate expenses (money spent on materials or goods from other industries).

Figure 4 visually demonstrates the relationship and some of the key actors in each of the types of economic impacts.

Figure 4. Economic Impact Effects



The figures in the following analyses are based on annual averages over 3-5-year timeframes, with 2019 being the most recent year of data available. These figures should be interpreted as annual impacts. For example, the total effect of CM activity creates and sustains a total of 32,254 jobs over the course of a year.

32,254 jobs = 32,254 jobs created and sustained over one-year

Economic Impacts in Missouri and Kansas

This section of the report highlights the economic and fiscal impacts of Children’s Mercy (CM) throughout the two states of Missouri and Kansas. Later sections in this report will focus on smaller geographic regions.

The CM is estimated to annually sustain more than 32,200 jobs across Missouri and Kansas. This is equivalent to the number jobs within the New Car Dealer industry in Missouri and Kansas. About 13,700 jobs can be attributed to CM’s direct effects, another 6,300 through indirect effects, and more than 12,300 jobs are a result of induced effects. These jobs result in an additional \$1.8 billion in income for Missouri and Kansas residents and generate more than \$3.5 billion in economic activity in the two states (Table 1). To put this figure into perspective, this annual economic activity is equivalent to about 16 of the record-setting 2019 NFL Draft hosted in Nashville.⁶ By another comparison, CM annual economic activity equates to 412 Kansas City Marathons per year, or more than a marathon a day.^{7 8}

“They gave [the school board] a well-informed framework for being able to make good decisions at the local level... CM has become a very trusted and reliable source for myself and others.”

Jan Kauk, Board President for the North Kansas City School District

Table 1. Annual Economic Impact of CM in Missouri and Kansas

IMPACT TYPE	EMPLOYMENT	LABOR INCOME	VALUE ADDED	OUTPUT
Direct Effect	13,675	\$954,169,065	\$1,104,045,744	\$1,719,066,769
Indirect Effect	6,322	\$327,467,277	\$429,163,382	\$643,444,963
Induced Effect	12,257	\$554,463,110	\$820,628,086	\$1,185,726,015
Total Effect	32,254	\$1,836,099,452	\$2,353,837,212	\$3,548,237,747

⁶ Based on the \$224 million figure cited in the press release found here: <https://www.tennesseetitans.com/news/2019-nfl-draft-generates-a-record-in-direct-spending-in-nashville-of-133-million>

⁷ Based on the \$8.6 million figure cited in the press release found here: <https://static1.squarespace.com/static/5bda12e63c3a534dbded3a5f/t/5d35f45125f16800015900dc/1563817042206/Economic-Impact-Press-Release.pdf>

Big 12 Men’s Basketball Tournament impacts based on \$14.2 million figure cited in the press release found here: <https://www.bizjournals.com/kansascity/news/2018/03/08/big-12-tournament-kc-economic-impact.html>

Jan Kauk is no stranger to the medical field. A nurse by training, Jan eventually transitioned to mental health and developmental services. Now serving as President of the Board for the North Kansas City School District, Jan’s background has become more pertinent than ever. As the school district weighed options for reopening safely, Children’s Mercy Hospital held a virtual seminar to help the Board make an informed decision.

“Children’s Mercy Hospital went a step further and talked about sports, cleaning facilities, child abuse, and other safety considerations. They gave us a well-informed framework for being able to make good decisions at the local level. The CM team was very good to bring their expertise but not overstepping their boundaries...” Jan mentioned, *“It was great having CM be there and keep our feet on the ground, ensuring that the conversation was about medicine and health. CM has become a very trusted and reliable source for myself and others.”*

Jan Kauk is the Board President for the North Kansas City School District

The net fiscal impacts of CM in Missouri and Kansas generate more than \$135 million in tax revenue annually. CM economic activity results in nearly \$60 million in local taxes, another \$50 million in state taxes (for Missouri and Kansas combined), and more than \$25 million in federal taxes (Table 2). It is important to note that these figures are net, and account any local, state, and federal subsidies.

Table 2. Annual Fiscal Impact of CM in Missouri and Kansas

TAXES	IMPACT ON TAXES
Local Taxes	\$59,700,678
State Taxes	\$50,327,123
Federal Taxes	\$25,199,155
Total Fiscal Impact	\$135,226,956

“The pandemic has amplified the health inequities that we knew existed and are largely rooted in structural medicine. This is changing what we teach and how we teach it to our students.”

Mary Anne Jackson, Dean and Professor at the University of Missouri-Kansas City School of Medicine. Dr. Jackson also works in Infectious Diseases in the Department of Pediatrics at Children’s Mercy Hospital.

Impacts in the State of Missouri Only

CM economic activity in Missouri accounts for 20,300 jobs, \$1.2 billion in income for Missouri residents, and \$2.3 billion in economic activity annually. The \$1.6 billion in Gross Regional Product generated by CM activity is about 6.0% of the GRP generated by all General Medical and Surgical Hospitals within the state. More than a third (35%) of these jobs are created through induced effects, meaning that the wages earned by hospital staff and contractors that are then subsequently spent on things such as restaurants, recreation, and home renovations are responsible for sustaining nearly 7,200 jobs in Missouri (Table 3).

The 20,300 jobs sustained in Missouri by CM activity is equivalent to the number of jobs in the Plumbing, Heating, and Air-Conditioning Contractors industry across the state.

Table 3. Annual Economic Impact of CM in Missouri

IMPACT TYPE	EMPLOYMENT	LABOR INCOME	VALUE ADDED	OUTPUT
Direct Effect	9,092	\$636,282,524	\$775,302,465	\$1,211,016,538
Indirect Effect	4,024	\$208,916,526	\$277,973,035	\$417,578,124
Induced Effect	7,186	\$328,194,091	\$500,070,385	\$719,440,904
Total Effect	20,302	\$1,173,393,141	\$1,553,345,885	\$2,348,035,565

The net fiscal impacts of CM in Missouri generate more than \$31 million in taxes for the state and about \$37 million in local taxes every year. CM activity overall in the state generates \$84 million in annual fiscal impacts (Table 4).

Table 4. Annual Net Fiscal Impact of CM in Missouri

TAXES	IMPACT ON TAXES
Local Taxes	\$37,000,618
State Taxes	\$31,265,814
Federal Taxes	\$15,933,251
Total Fiscal Impact	\$84,199,683

Support for Families in Times of Need

Ronald McDonald House Charities of Kansas City provides a place for families with seriously ill or injured children to stay while their child receives medical treatment. Many families can face weeks or months away from home while seeking treatment for their child, resulting in additional financial and emotional stress. Ronald McDonald Houses offer families a private place to stay, meals, laundry, and additional support, all of which allow them to focus on caring for their child. The RMHC campus in Kansas City includes three Ronald McDonald Houses, with a total of 80 hotel-style rooms. The organization served more than 8,200 families last year.

Children's Mercy Hospital (CM) is the largest partner for Ronald McDonald House Charities of Kansas City. Ninety-three percent of families served by RMHC-KC receive care at Children's Mercy Hospital. This results in a symbiotic relationship between the two institutions. Tami Greenberg, CEO at RMHC-KC says that *"one of the reasons people support Ronald McDonald House Charities of Kansas City is because they know patients are getting world class care at CM, and many have said that they would not be able to go to CM without staying at one of our Ronald McDonald Houses."*

RMHC-KC also has a 7-bedroom Ronald McDonald Family Room inside CM, which allows families to step away from the hospital environment and focus their attention on one another. Tami notes *"the Family Room is an example of our healthy partnership: during the COVID-19 crisis, we have shared that space with CM staff. The year 2020 has challenged a lot of things, but it has demonstrated the strength of the relationship between RMHC and Children's Mercy Hospital."*

Tami Greenberg is the CEO at Ronald McDonald House Charities of Kansas City



IMPACTS IN THE STATE OF KANSAS ONLY

CM has a substantial footprint in Kansas, including a hospital in Overland Park and regional practices in Wichita and Junction City and several outreach clinics. **Economic activity in Kansas from these facilities creates and sustains nearly 12,000 jobs and about \$663 million in labor income annually within the state.** This is roughly equivalent to the number of workers in both the Animal Production and Veterinary Services industries in Kansas. CM generates more than \$1.2 billion in economic activity annually, and \$800 million in value added or Gross Regional Product (GRP) which is equivalent to the GRP contribution of Warehouse Clubs and Supercenters within the state. CM activity annually sustains about 4,600 direct jobs that include CM employees, janitors, construction workers, launderers, and other service providers (Table 5).

Table 5. Annual Economic Impact of CM in Kansas

IMPACT TYPE	EMPLOYMENT	LABOR INCOME	VALUE ADDED	OUTPUT
Direct Effect	4,582	\$317,886,542	\$328,743,279	\$508,050,231
Indirect Effect	2,297	\$118,550,751	\$151,190,347	\$225,866,839
Induced Effect	5,071	\$226,269,019	\$320,557,701	\$466,285,111
Total Effect	11,950	\$662,706,311	\$800,491,327	\$1,200,202,182

Economic activity of CM in Kansas generates \$51 million in net fiscal impacts annually. This includes nearly \$23 million in local taxes and another \$19 million in net state taxes (Table 6).

Table 6. Annual Fiscal Impact of CM in Kansas

TAXES	IMPACT ON TAXES
Local Taxes	\$22,700,060
State Taxes	\$19,061,308
Federal Taxes	\$9,265,905
Total Fiscal Impact	\$51,027,273

A Happier and Healthier Kansas City

THE COMMUNITY HEALTH COUNCIL OF WYANDOTTE COUNTY

The Community Health Council of Wyandotte County (CHCWC) is an organization that seeks to improve community health outcomes by addressing systems gaps and social drivers of health. One priority program area for CHCWC is their focus on decreasing infant mortality and remediation of racial inequities in medical care. *“African-American families face infant death rates that are 3.5 times greater than the infant death rate White families face”* says Donna Young, executive director of CHCWC, *“and our mission is to make sure that all families receive the same level and quality of care across medical institutions.”*



There are two primary programs, coordinated by CHCWC and their partners, that support this effort. Every Baby to 1 is an initiative that engages the faith community to develop education efforts and initiatives to reduce the risk of Sudden Unexpected Infant Death (SUID). Cradle KC, another program by the CHCWC, is a metro-wide results-based, collective impact initiative focused on policy, system, and environmental change, learning collaboratives, and industry best practices.

Children's Mercy's role and involvement in the Community Health Council of Wyandotte County goes beyond an annual operations support and program funding. CM involvement can be found at virtually every level of the CHCWC, ranging from the executive team to the development of programs and creation of materials for those programs. In fact, a CM employee convened the first collaborative discussion that evolved into the Every Baby to 1 program. Since its beginning, 750 families have received Safe Sleep, Safe Space, and Social Support education and additional resources.



Community Impact

Between the 2016 and 2019 fiscal years, Children's Mercy invested three-quarters of a billion dollars (\$751 billion) in the Kansas City community. Historically, uncompensated care has made up the majority of these expenses, though the education of health professionals and partnerships with community health programs have received increasing support from Children's Mercy.

The Mattie Rhodes Center (MRC) has served the Greater Kansas City community for 126 years through youth development programs, cultural arts programs, mental health services, and community development work. It also serves as a safety net and a hub for support services and resources for those in need. Many of the people that the MRC supports are immigrants, English is their second language, or lack transportation and other resources. The Mattie Rhodes Center is also the only fully bilingual/bicultural, nationally accredited, and state-certified behavioral health care provider in the Greater Kansas City region.

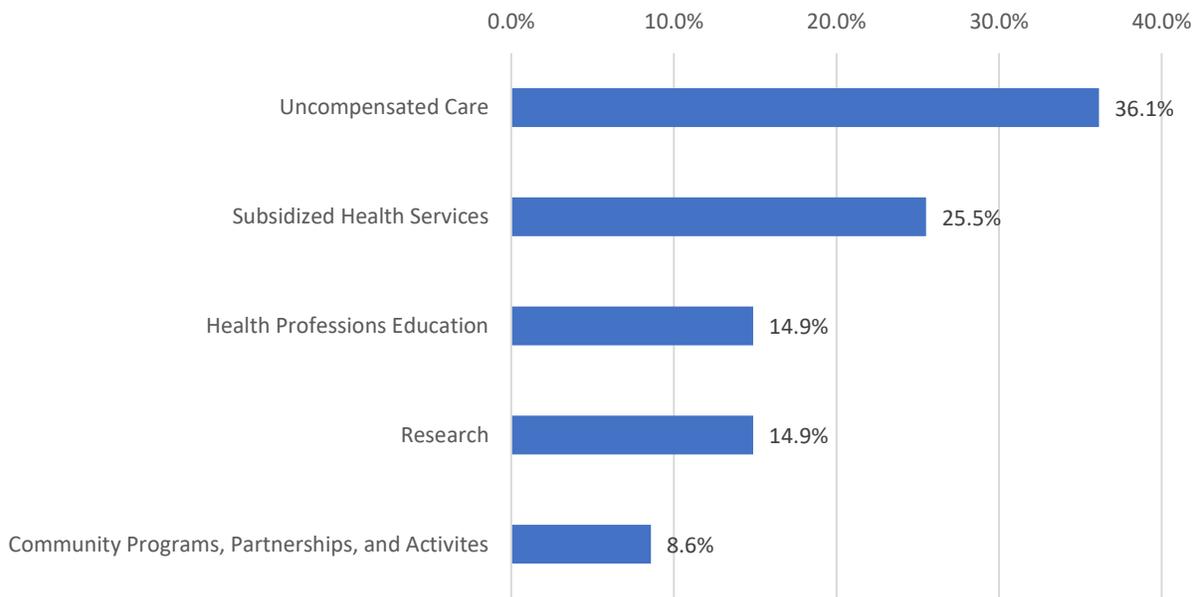
According to John Fierro, the President and CEO of the Mattie Rhodes Center, MRC *"has benefitted across various levels from the involvement of Children's Mercy Hospital."* In one example, a CM doctor created a Spanish language program that provides language coaching to select nonprofits. For the Mattie Rhodes Center, this means that therapists, who previously had minimal Spanish speaking abilities, were better able to converse with a broader range of patients, leading to better patient outcomes. Citing the COVID-19 Pandemic and opportunities for partnership, John continued *"As a top-notch healthcare provider, there are opportunities for CM to continue evolving as a progressive healthcare institution, and we look forward to future collaboration with Children's Mercy."*

John Fierro is the President and CEO of the Mattie Rhodes Center



In 2019 fiscal year alone, CM invested more than \$162 million in the Kansas City community. Just over a third (36%) of this went towards uncompensated care, and an additional quarter (25%) of funds subsidized health services. CM also contributed more than \$24 million towards the education of health professionals, ensuring that the next generation of healthcare providers receive high quality education and training. Community Health Programs and Partnerships received nearly \$14 million in support from CM during the 2019 fiscal year (Figure 5).

Figure 5. Proportion of Community Investment Spending



Optimizing Healthy Development

A growing number of social impact studies show that an early investment in kids leads to some of the greatest positive multigenerational outcomes and positively change the trajectories of an individual's lifespan.

The Future of Research at Children's Mercy

The new Research Institute at Children's Mercy will bolster CM's research capabilities and status among the medical research community. While the work conducted at this facility will have far reaching implications in the advancement of medicine and treatment, the research itself, and the talented individuals who lead and conduct the research, will have tremendous impacts on the local economy on an annual basis.

The activity at the new Research Institute will create and sustain more than 500 jobs and generate more than \$80 million in economic activity within the



Kansas City Study Region⁹ annually. More than half of these jobs are generated through indirect and induced effects (Table 7). This activity generates an additional \$57 million in Gross Regional Product, equivalent to the GRP contribution of Jewelry Stores within the region.

For the past two years, several hundred construction workers have been building Children's Mercy Hospital's new research facility. The project marks a 15-year relationship between CM and McCown Gordon Construction, and it will *"help put Kansas City on the map nationally, if not globally"* says Ramin Cherafat, the CEO at McCown Gordon Construction. *"Ultimately, the bigger impact will be all the people who work in that building over the long term and the great work they will accomplish. The research building is well over 400,000 square feet, and many of the high-skill jobs there will have high-paying salaries that bolster the local economy."*

Ramin Cherafat is Chief Executive Officer at McCown Gordon Construction

⁹ The five counties of the Kansas City Study Region are Jackson, Clay, and Platte counties in Missouri and Johnson and Wyandotte counties in Kansas.

Table 7. Annual Economic Impact of Research in Kansas City Study Region

IMPACT TYPE	EMPLOYMENT	LABOR INCOME	VALUE ADDED	OUTPUT
Direct Effect	207	\$18,958,577	\$27,856,108	\$42,012,505
Indirect Effect	126	\$7,257,819	\$11,421,341	\$15,351,475
Induced Effect	202	\$10,091,049	\$17,450,680	\$23,128,057
Total Effect	535	\$36,307,445	\$56,728,129	\$80,492,037

The research carried out at the new Children’s Mercy Research Institute will generate \$375 million annually in net local taxes and about \$320 in state taxes (between Missouri and Kansas). In total, \$868 million in net taxes are generated annually as a result of the research at CM (Table 8).

Table 8. Annual Net Fiscal Impact of Research in Kansas City Study Region

TAXES	IMPACT ON TAXES
Local Taxes	\$813,302
State Taxes	\$692,042
Federal Taxes	\$370,500
Total Fiscal Impact	\$1,875,844

Innovation at Children’s Mercy Hospital

Innovation shows that an organization and its employees are operating at the cutting edge, forward-thinking, and look outside-the-box to develop novel solutions. Patents are one way to measure innovation at an organization, as filing a patent is often the first-step innovators take upon developing a new idea or solution.

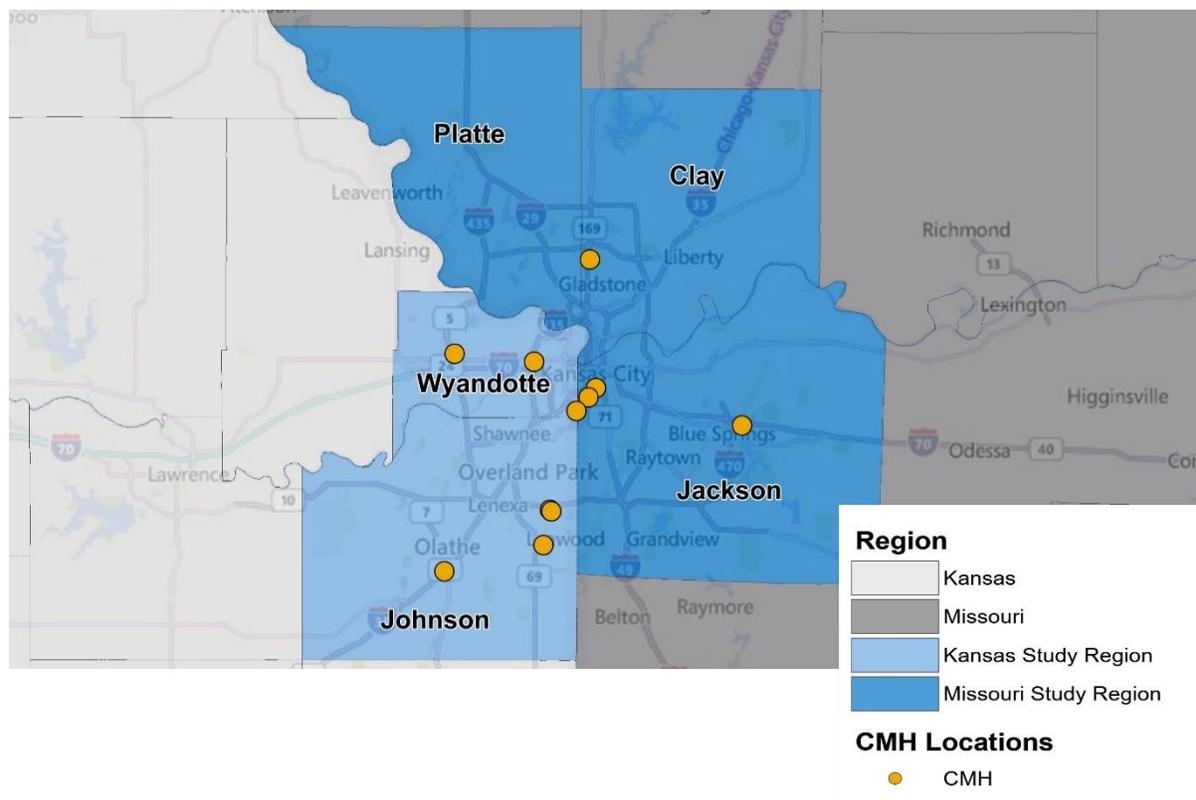
Since 2000, CM employees have filed 55 patent applications, and patent activity has been strong in recent years. Between the years of 2015 and 2019, CM employees have filed 22 patent applications for fourteen different technologies and inventions.

Regional Impacts

KANSAS CITY REGIONAL IMPACTS

The Kansas City Study Region encompasses five counties: three counties (Platte, Clay, and Jackson) are in Missouri, and two counties (Wyandotte and Johnson) are in Kansas. Figure 6 shows these five counties (Missouri counties are in blue, Kansas counties are in light blue) as well as the locations of CM campuses and clinics (identified by the orange dots).

Figure 6. Kansas City Study Region



About 20,000 jobs are supported through the economic activity associated with CM with the Kansas City Study Region. These jobs generate more than \$1.2 billion in labor income. The near \$1.9 billion in value added is equivalent to the GRP contribution of Office of Lawyers in the Kansas City Study Region. About 5,500 of these jobs are sustained through induced effects, meaning that the wages and subsequent purchases of hospital staff support the employment of 5,500 workers at places such as local restaurants, car dealerships, and real estate offices (Table 9).

Table 9. Annual Economic Impact of CM in Kansas City Study Region

IMPACT TYPE	EMPLOYMENT	LABOR INCOME	VALUE ADDED	OUTPUT
Direct Effect	10,187	\$740,256,790	\$1,020,809,327	\$1,588,799,093
Indirect Effect	4,314	\$235,097,890	\$370,322,413	\$556,583,027
Induced Effect	5,484	\$272,860,666	\$500,474,772	\$696,615,321
Total Effect	19,985	\$1,248,215,345	\$1,891,606,512	\$2,841,997,441

A Magnet and Driver of Innovation and Research

One regional initiative supported by the Civic Council of Greater Kansas City is KC Rising, a long-term collaboration among businesses, the public sector, education and nonprofits that aims to improve the gross metropolitan product, median household income, and number of quality jobs in Kansas City. *“We know the economy of the future is centered around research and innovation, and CM will continue to be a key resource in ensuring that part of the Kansas City economy continues to grow,”* notes Marc Hill, President of the Civic Council of Greater Kansas City.

Children’s Mercy Hospital’s role is twofold: serving as both an elite research institute and an attractor for innovative firms to relocate in Kansas City. In one example shared by Marc, CM and its world-class services for children with special needs and disabilities played an instrumental role in several of the USDA’s Research Department staff relocating from Washington D.C. to Kansas City. *“We believe involvement will only grow. CM is really the peak of expertise and is a huge draw for regional talent, and the research they have done and continue to do is essential to the local economy,”* says Marc.

Marc Hill is the President of the Civic Council of Greater Kansas City.

“Children’s Mercy Hospital is such an established and respected brand, that as a parent who raised 3 kids, there is no pause or hesitation where to go for care. We have a great place right here in town that we have great trust and confidence in.”

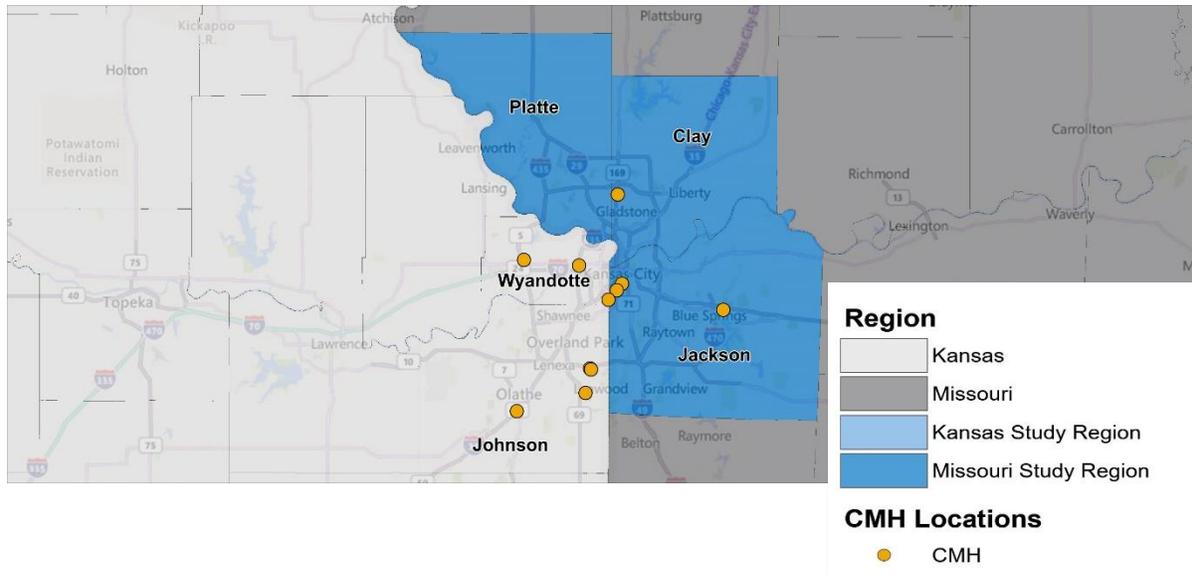
Gordon Lansford, President and CEO of JE Dunn Construction Company

The economic activity of CM results in about \$84 million in net fiscal impacts. More than \$36 million of this net tax generation occurs at the local level, while an additional \$31 million is generated at the state level (Table 10).

Table 10. Annual Fiscal Impact of CM in Kansas City Study Region

TAXES	IMPACT ON TAXES
Local Taxes	\$36,229,190
State Taxes	\$30,826,330
Federal Taxes	\$16,499,102
Total Fiscal Impact	\$83,554,622

KANSAS CITY REGIONAL IMPACTS – MISSOURI



About 16,000 jobs are sustained annually by CM economic activity in the three Missouri counties surrounding Kansas City. CM generates nearly 2 billion in annual economic activity across Jackson, Clay, and Platte Counties, more than \$1.3 billion in value added or GRP, and nearly \$1 billion of this activity are wages paid to regional employees (Table 11).

Table 11. Annual Economic Impact of CM in Jackson, Clay, and Platte Counties in Missouri

IMPACT TYPE	EMPLOYMENT	LABOR INCOME	VALUE ADDED	OUTPUT
Direct Effect	8,206	\$596,139,722	\$726,464,500	\$1,134,541,926
Indirect Effect	3,432	\$184,671,142	\$249,212,357	\$374,983,189
Induced Effect	4,360	\$214,816,355	\$344,833,524	\$486,543,602
Total Effect	15,998	\$995,627,219	\$1,320,510,381	\$1,996,068,717

CM activity and operations result in more than \$28 million in net local taxes across Jackson, Clay, and Platte Counties annually. An additional \$24 million is generated in state taxes. In total, CM activities amount to over \$65 million in net fiscal impacts (Table 12).

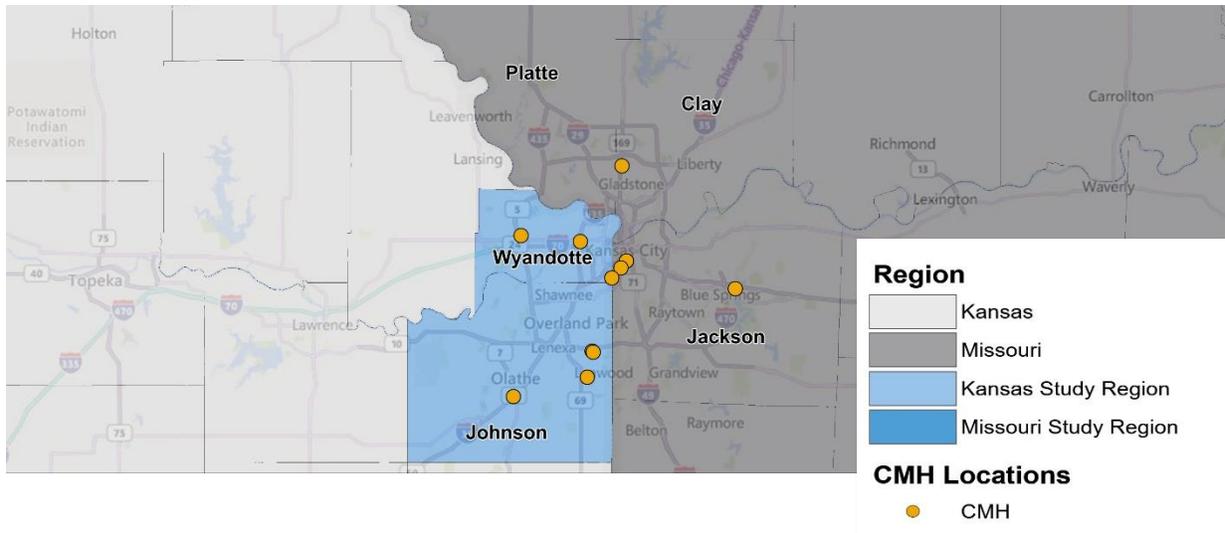
Table 12. Annual Fiscal Impact of CM in Jackson, Clay, and Platte Counties in Missouri

TAXES	IMPACT ON TAXES
Local Taxes	\$28,406,641
State Taxes	\$24,128,326
Federal Taxes	\$12,758,907
Total Fiscal Impact	\$65,293,874

“In healthcare, we think about the importance of the three-legged stool model: patient care, research, and advocacy. CM is so well known for top-quality healthcare, has had great developments in research, and has always been strong in advocacy. CM is a really significant community asset across all of these facets.”

Angela Smart, Vice-President at the Hall Family Foundation

KANSAS CITY REGIONAL IMPACTS – KANSAS



Nearly 4,000 jobs are created and sustained annually in the two Kansas Counties surrounding Kansas City. CM generates \$846 million in economic activity across Wyandotte and Johnson Counties, about a quarter of a billion dollars of which is income paid to residents of these two counties. The more than half a billion dollars (\$571 million) in GRP (value added) is equivalent to the GRP of Elementary and Secondary Schools operated by local government within the region (Table 13).

Table 13. Annual Economic Impact of CM in Johnson and Wyandotte Counties in Kansas

IMPACT TYPE	EMPLOYMENT	LABOR INCOME	VALUE ADDED	OUTPUT
Direct Effect	1,981	\$144,117,068	\$294,344,827	\$454,257,167
Indirect Effect	882	\$50,426,748	\$121,110,056	\$181,599,838
Induced Effect	1,124	\$58,044,311	\$155,641,248	\$210,071,719
Total Effect	3,987	\$252,588,126	\$571,096,131	\$845,928,724

Children’s Mercy Hospital (CM) is a keystone institution in the Greater Kansas City Study Region. Mauli Agrawal, Chancellor of University of Missouri-Kansas City, states, *“Children’s Mercy is a blessing to the region. That’s something everyone agrees on because they respect the work that CM does.”* Our conversation with Chancellor Agrawal highlighted the essential role that CM plays in educating future medical professionals and advancing medical research.

Children’s Mercy Hospital and the University of Missouri- Kansas City (UMKC) Medical School are inextricably linked. UMKC is a community-based medical school, meaning that students practice across multiple medical facilities across Kansas City. As one of the three regional partners for the medical school, CM allows these brilliant young students to learn in the field. The two institutions also share faculty, as many CM staff are lecturers for the UMKC Medical School.

CM also partners with UMKC across a range of medical research, including the burgeoning field of data science. Chancellor Agrawal expressed excitement about the soon-to-be completed new research wing at CM and has high hopes for future collaboration between the two institutions. *“We hope to do even more collaboration in the future so that we drive the region forward together”* says Chancellor Agrawal.

Mauli Agrawal is the Chancellor of University Missouri- Kansas City.

CM economic activity generates a net \$18 million in local, state, and federal taxes annually. Nearly \$8 million of these fiscal impacts are local taxes generated within Johnson and Wyandotte Counties (Table 14).

Table 14. Annual Fiscal Impact of CM in Johnson and Wyandotte Counties in Kansas

TAXES	IMPACT ON TAXES
Local Taxes	\$7,822,549
State Taxes	\$6,698,004
Federal Taxes	\$3,740,195
Total Fiscal Impact	\$18,260,748

Methodology

The research team received internal data from Children's Mercy in Kansas City comprising all hospital expenditures including new construction costs, employee compensation, vendor expenditures, fixed asset expenditures, community contributions (including uncompensated or subsidized care), and contributions to local civic organizations. The data were categorized by geographic region using zip codes and aggregated into 6-digit NAICS (North American Industry Classification System) categories for input into the model.

When possible, multiple years of data were provided. This allowed the research team to use annualized spending numbers, typically averaged over 3-5 years, to avoid outliers of any given year.

The original vendor expenditures data did not include industry data. There were more than 10,500 individual vendor expenditures over five years. Through desktop research, the research team was able to categorize a sample of these firms (approximately 6% of all vendors, 20% of vendors in Kansas and Missouri) into 262 individual 6-digit NAICS. The 20 NAICS categories accounting for the greatest share of spending (88% of all identified expenditures) were then applied to total vendor expenditures and used as inputs to the impact model.

The EMSI (Economic Modeling) Input-Output Economic Impact Model was used to determine the direct, indirect, induced, and fiscal effects of Children's Mercy. EMSI data were used for industry-level GRP estimates as well.

State and Region-Level Analysis

For the impact analysis at the state level, construction costs, community contributions (including uncompensated or subsidized care), and contributions to local civic organizations were assumed to occur in at the primary campus, Adele Hall Campus in Missouri, because the data lacked geographic distinction. Geographic data was available for the employee compensation and vendor expenditure datasets. Fixed asset expenditures were weighted by the ratio of total employee compensation between the two states. This same methodology was utilized for region-level analyses, though regional-share of expenditures (i.e. the proportion of identified vendors within a state that were also within the given region) were applied at this level as well.