



Study on the economic impact of office-based physicians

Question & Answer

Q. Are employed physicians included in the study?

A. The study includes physicians who provide patient care and are office-based. Employed physicians are included in the study if they meet this criteria, such as physicians employed by a large group practice. Physicians employed by a hospital are not included because they are not considered office-based.

Q. Physicians produce a lot of output, does this mean they contribute to the high cost of health care?

A. No. That is like comparing apples to oranges. This study focuses on how physicians support the state economy by creating jobs, generating output and generating state and local tax revenues. An economic impact analysis tracks the reach of revenues generated by a physician's office throughout the state and local economy. This is quantified by using a multiplier. For output, the multiplier is the number of dollars of total economic activity that are created by one dollar of new business revenue in a community. Direct and indirect effects make up the multiplier that drives an economic impact analysis. These effects are not limited to health care costs. For example, physician offices support other businesses by purchasing supplies, equipment and other services from them. In addition, physicians and their employees spend their earnings outside of the physician practice, such as purchasing food, housing, clothing, etc. which generates further economic activity. In this study, the median state multiplier of 1.8 reflects the number of times each dollar generated in the practice of medicine circulates through the local economy, supporting local jobs and spending. For additional information on how the multiplier works, see page 5 of the national report at www.ama-assn.org/go/eis.

Q. Physicians support a lot of wages and benefits, does this mean that physicians make too much money?

A. No. The data on wages and benefits is not limited to physicians. Across the nation, physicians support \$833 billion in total wages and benefits, with each physician supporting \$1.3 million in wages and benefits on average. These numbers include the wages and benefits of employees of a physician's office, such as nurses and administrative staff, as well as a portion of the wages and benefits of employees from businesses supported by the office-based physicians, and a portion of the wages and benefits of employees supported by employees of the office-based physician. This is the essence of an economic impact study, which tracks the impact office-based physicians have throughout the economy. It's equally important to understand that this number



also includes the benefits provided to these employees. For more information on the wages and benefits data, see page 6 of the national report which can be found at www.ama-assn.org/go/eis.

Q. Have there been any previous studies on the economic impact of office-based physicians?

A. While several states have conducted a study on the economic impact of office-based physicians in their state, this is the first study conducted at the national level and for all fifty states, plus D.C.

Q. Why don't the national numbers equal a sum of the state totals?

A. The state totals for economic activity supported by office-based physicians are limited to effects within the state borders, therefore, any economic activity that leaks outside the state is not captured in the state level data. Expanding the economic effects nationwide includes these cross state effects, making the national total higher than the sum of the state totals.

Q. What kinds of taxes are included in "state and local tax revenue"?

A. The total tax revenue is computed by summing taxation on employee income, proprietor income, indirect business interactions, household and corporations. The following state and local taxes are included in the study: state and local portion of Social Security taxes paid by the employer and employee, personal taxes, such as income tax, gift and estate tax, property taxes and business taxes. For a full description of the taxes included, please see pages 6-7 of the national report which can be found at www.ama-assn.org/go/eis.

For more information on *The Economic Impact of Office-Based Physicians*, please visit www.ama-assn.org/go/eis or contact Kim Horvath, JD, Legislative Attorney at kimberly.horvath@ama-assn.org.