



2015

The Economic Impact of Children's HealthSM



Contents

Letter from the CEO.....	2
Highlights	3
Executive Summary	4
Introduction to Children’s Health	6
Total Economic Impacts	8
Operations Impact	10
Capital Improvements Impact	11
Combined Impact.....	13
Visitor Spending Summary.....	13
Community Impact.....	14
Spatial Analysis of Areas Benefited	19
Methodology	20

List of Tables

Table 1. Total Economic Impacts	10
Table 2. Operations Economic Impact	10
Table 3. Capital Improvements Economic Impact	11
Table 4. Total Combined Impact	13
Table 5. Visitor Spending	13

ACKNOWLEDGEMENTS:

Michael C. Carroll, Ph.D.
Director
Economics Research Group
University of North Texas

Christopher L. Carlyle
Economics Research Group
University of North Texas

Bernard L. Weinstein, Ph.D.
Associate Director,
Maguire Energy Institute
Adjunct Professor of
Business Economics
Cox School of Business

About Children’s Health

Children’s HealthSM is the eighth-largest pediatric health care provider in the nation and the leading pediatric health care system in North Texas, providing a full spectrum of health care services — from daily wellness and primary care to specialty visits and critical care. Holding eight disease-specific care certifications from The Joint Commission, Children’s Health has consistently been named one of the nation’s top pediatric providers by *U.S. News & World Report*. The Children’s Health system includes Children’s Medical Center Dallas, as well as Children’s Medical Center Plano, Our Children’s House inpatient rehabilitation hospital, multiple specialty centers, Children’s Health Pediatric Group primary care practices, rehabilitation facilities, home health, and the Children’s Medical Center Research Institute at UT Southwestern.

Cover Photos: From left to right, Children’s Medical Center Dallas, Children’s Medical Center Plano, Children’s Health Specialty Center Dallas Campus.



Dear Friends and Colleagues,

Children's Health has experienced tremendous growth over the past few years during its evolution to becoming a leading pediatric health care system. We reached important milestones and scientific breakthroughs, and celebrated a number of achievements.

Through the acquisition of Our Children's House, we are able to provide highly-specialized rehabilitation care for children with special needs in a 39-bed regional specialty hospital and network of nine pediatric specialty care centers. Children's Medical Center Plano has expanded the services provided, including the Children's Health Andrews Institute for Orthopaedics & Sports Medicine and the Rees-Jones Center for Foster Care Excellence.

The Children's Research Institute at UTSW has achieved \$8.3 million in external grant support and published 31 articles in high-impact journals. We also have grown

our Clinically Integrated Network of community physicians, and enhanced their practice experience at our facilities.

Children's Health has always been committed to making a difference for the health and well-being of children in our community. And that commitment is what has made Children's Health one of the nation's leading pediatric health care systems, providing a full spectrum of care in North Texas and beyond. However, the impact that Children's Health makes on the region is not limited to the world-class medical care we provide — we also make a big contribution to the economy. We are proud of our economic impact of \$2.57 billion annually for the Dallas-Fort Worth (DFW) Metroplex.

This 2015 economic impact report has been prepared by a well-regarded team of researchers from the University of North Texas. Their independent research used financial and operational information along with scientific data about the overall regional economy to gauge the impact Children's Health makes as an economic engine in our community. What they found is impressive.

Here are some highlights:

- Children's Health directly employs more than 7,000 people and supports more than 15,000 jobs annually for DFW residents.
- Children's Health generates \$974 million in employee wages and salaries annually.
- Children's Health generates \$74.3 million in state and local tax revenue annually.
- Operations generate \$70.3 million and capital improvements create \$4 million.
- Children's Health generates \$242 million in federal tax revenue annually. Operations account for \$231 million and capital improvements create \$11 million.

The difference Children's Health makes in DFW and surrounding areas in both quality care, scientific advancement, education of health care professionals and financial contributions is a testament to the hard work and dedication that our team members demonstrate 365 days a year.

Thank you for taking the time to learn more about how Children's Health is fulfilling its mission to make life better for children inside our facilities and in our community.

Respectfully,

Christopher J. Durovich
President & Chief Executive Officer

Economic Impact 2015 Highlights

\$2.57 BILLION GENERATED FOR THE DFW ECONOMY



MORE THAN

7,000

DIRECTLY EMPLOYED

MORE THAN

15,000

DFW JOBS ANNUALLY

\$974 MILLION

EMPLOYEE WAGES & SALARIES ANNUALLY

8TH LARGEST PEDIATRIC HEALTH CARE PROVIDER IN THE NATION

STATE & LOCAL TAX REVENUE GENERATED

\$74.3 MILLION

FEDERAL TAX REVENUE GENERATED

\$242 MILLION

Executive Summary

Each day, the professionals of Children's Health make life better for children in the Dallas-Fort Worth (DFW) Metroplex. In addition, Children's Health makes life better for area residents because of the important role it plays in the region's economy.

The objective of this report is to measure the significant economic impact that Children's Health has on the DFW region. The Economic Research Group (ERG) at the University of North Texas conducted the 2015 analysis using public financial and operational information from Children's Health along with data about the overall economy. This study captures all of the system's financial activity reported through its audited and compliance systems and includes expenditures, such as purchases of tangible goods and related services, payroll for all staff, capital improvements, physical locations, and other health care services.

Children's Health generated an economic impact of \$2.57 billion for the DFW economy in 2015.

Understanding the dimensions of Children's Health helps to better understand its economic impact. With eight disease-specific care certifications from The Joint Commission, the system has been consistently named one of the nation's best pediatric providers by *U.S. News & World Report*. Children's Health includes Children's Medical Center Dallas, Children's Medical Center Plano, as well as the Our Children's House inpatient rehabilitation hospital, Children's Health Andrews Institute for Orthopaedics & Sports Medicine, multiple specialty centers, Children's Health Pediatric Group primary care practices, rehabilitation facilities, home health, and the Children's Medical Center Research Institute at UT Southwestern. A private, not-for-profit organization, Children's Health managed more than 800,000 patient encounters and had more than \$1 billion in operating expenses in 2015, with approximately 7,000 employees across multiple facilities.

When operating expenses are combined with capital spending, Children's Health generates an annual economic impact of \$2.57 billion and supports more than 15,000 jobs in the DFW region. The annual employment provides \$1.1 billion in employee compensation and proprietor income for DFW residents. In addition, the economic activity produces significant tax revenues: \$74 million in state and local taxes and \$242 million in federal taxes annually.

MAKING LIFE BETTER FOR CHILDREN

Thousands of young people's lives are improved because of the care they receive at Children's Health, which also contributes to the well-being of the DFW economy.

Introduction to Children's Health

The mission of Children's Health is to make life better for children, from daily wellness and primary care to specialty visits and critical care. The commitment to pediatric care has helped grow Children's Health into a leading pediatric health care system in North Texas and the eighth largest in the United States. A private, not-for-profit organization, the system has grown from its founding in 1913 as the Dallas Baby Camp into a world-class system of nearly 40 facilities, providing more than 50 specialty and sub-specialty programs.

Children's Health Overview:

- Children's Medical Center Dallas is an academic medical center campus with the 490-bed, full-service hospital as its centerpiece. It is the first pediatric hospital in Texas to have a designated Level 1 trauma center.
- Children's Medical Center Plano is a 155-acre campus serving Collin County, anchored by a 72-bed, full-service hospital.
- The Children's Health Andrews Institute for Orthopaedics & Sports Medicine opened in 2015 on the Children's Health Plano campus and is the only pediatric-focused institute of its kind in North Texas.
- Children's Health specialty centers connect patients throughout North Texas to more than 50 pediatric specialty and subspecialty programs, including subspecialty care, outpatient surgery, imaging, physical medicine, and rehabilitation.
- Children's Health Pediatric Group comprises a network of pediatric primary care offices throughout North Texas specializing in treating children up to 18 years of age.
- Children's Medical Center Research Institute at UT Southwestern has 60 researchers focused on transformative advances in cancer, birth defects, and metabolic diseases.

Children's Health is the eighth-largest pediatric health care provider in the nation and a leading pediatric health care system in North Texas, providing a full spectrum of health care services — from daily wellness and primary care to specialty visits and critical care.



Impacts Summary

The economic impact analysis includes information on employment, output, employee compensation, value added, and labor income. Employment and output are measures of production and the labor needed for that production dependent on the category of spending. Labor income is the sum of two components: 1) employee compensation, which is made up of wages or salaries and benefits paid to employees, and 2) proprietor income, the money earned by those working with Children's Health who are self-employed within the study area. Value added, also defined as gross regional product (GRP), represents all non-commodity payments associated with an industry's production. It is the combination of labor income, other property type income, and indirect business taxes. Other property type income includes corporate profits, interest income, and rental payments, while indirect business taxes are taxes collected by businesses on behalf of government.

Note: Value added, labor income, and employee compensation cannot be added together to generate a larger impact as they are all interrelated.

Children's Health generates an annual economic impact of \$2.57 billion and supports 15,000 jobs in the DFW region.

Total Economic Impacts

With a payroll of approximately 7,000 and more than \$1 billion in operating expenses in 2015, Children's Health is a major contributor to the Dallas-Fort Worth economy. This economic impact analysis is based on Children's Health public financial and operational information. Therefore, this study captures all financial activity conducted by the system and reported through its audit and compliance systems. This analysis includes expenditure items, such as purchases of tangible goods and related services, payroll, capital improvements, physical plant, and other health care services.

The chief finding of the analysis is that in 2015, Children's Health made a \$2.57 billion impact on the DFW economy. The total economic impact is the summation of the direct, indirect, and induced effects of Children's Health economic activity. The amount of the indirect and induced portion is found using a multiplier to show how the direct expenditures are multiplied through the economy. (See the Methodology section for more information.)

An economic impact of \$2.57 billion is significant. For example, \$2.57 billion is equal to the combined annual income of all the residents of Waco, Texas. With \$2.57 billion a year, you can give \$2,000 to every resident in the city of Dallas.



CONTRIBUTING TO THE DFW AREA ECONOMY

With a payroll of more than 7,000 and more than \$1 billion in operating expenses in 2015, Children's Health is a major contributor to the DFW economy.

TABLE 1 Total Economic Impacts of Children's Health in 2015

DESCRIPTION	DIRECT	INDIRECT	INDUCED	TOTAL
Employment	7,358	3,340	5,034	15,732
Output	\$1,229,966,041	\$558,352,776	\$787,091,931	\$2,575,410,748
Employee Compensation	\$574,793,523	\$177,418,294	\$222,150,378	\$974,362,195
Value Added	\$716,727,994	\$326,155,211	\$467,919,159	\$1,510,802,364
Labor Income	\$686,121,987	\$211,048,100	\$268,234,168	\$1,165,404,255

Operations Impact

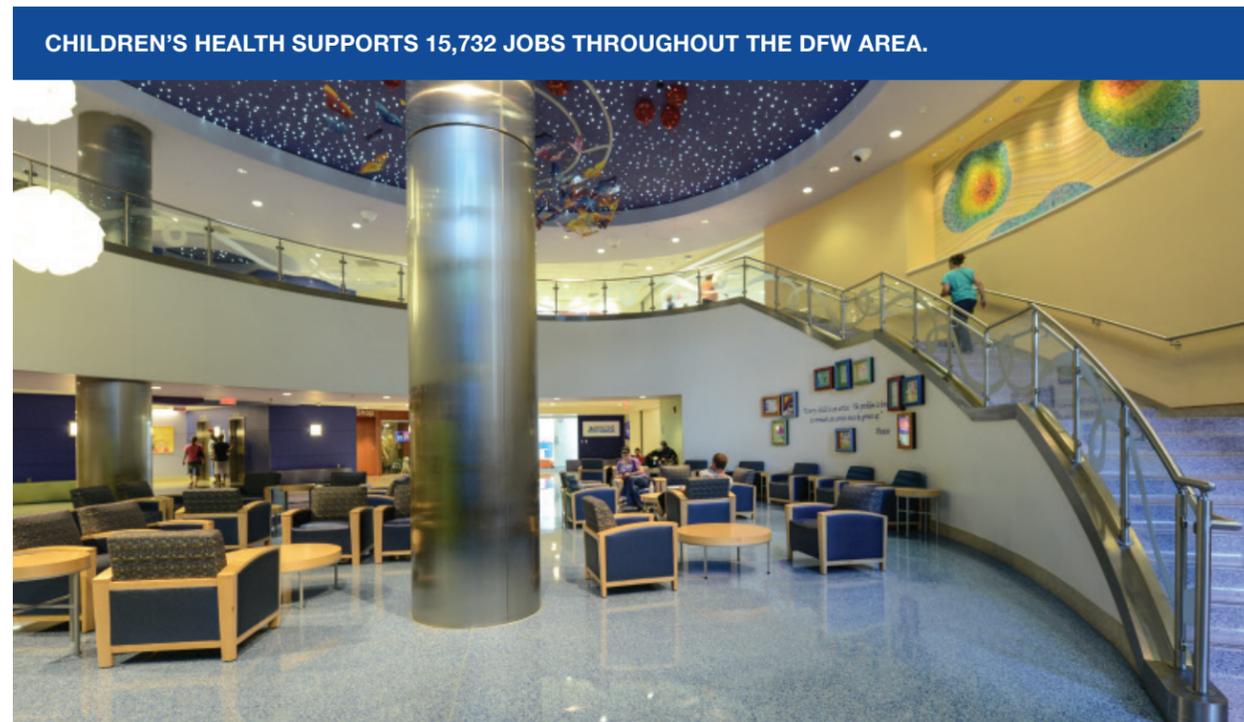
The operations segment comprises the revenues and expenses associated with the normal operations of Children's Health. This includes routine operating expenses, such as purchases of medical supplies, general repair and maintenance, food and gift shop inventory, and administrative overhead. After making appropriate adjustments for non-cash expenses, Children's Health spent \$1,150,819,038 on operating expenses in 2015. This direct impact generated an additional \$524,087,855 of indirect activity as suppliers in turn made purchases. Induced impacts of \$752,357,130 were generated as a result of employees of those suppliers spending their income in the DFW area. Therefore, the total economic impact from operations was \$2,427,264,023 (Table 2).

Table 2 also describes Children's Health employment, with 6,939 positions included in operations spending. Additionally, indirect and induced impacts generated further 3,166 and 4,812 jobs, respectively, for total employment of 14,917 created as a consequence of Children's Health operational spending.

TABLE 2 Operations Economic Impact

DESCRIPTION	DIRECT	INDIRECT	INDUCED	TOTAL
Employment	6,939	3,166	4,812	14,917
Output	\$1,150,819,038	\$524,087,855	\$752,357,130	\$2,427,264,023
Employee Compensation	\$556,239,794	\$167,467,096	\$212,344,121	\$936,051,011
Value Added	\$681,745,422	\$307,042,657	\$447,270,238	\$1,436,058,317
Labor Income	\$658,398,176	\$199,151,697	\$256,394,961	\$1,113,944,834

What can you do with \$2.57 billion a year? Give \$2,000 to every resident in the city of Dallas. It's also equal to the combined annual income of all residents of Waco, Texas.



Capital Improvements Impact

Children's Health spent \$79,147,003 (*direct*) on capital improvements in 2015. This initial spending in turn created an additional \$34,264,920 (*indirect*) in economic activity as Children's Health construction contractors purchased raw materials and services from local suppliers. Plus, \$34,734,801 in induced impact was created from employees of construction and contractual firms as they spent wages earned as a result of Children's Health contracts. In this case, the total Children's Health construction impact on the DFW metro-area economy was \$148,146,724 (Table 3).

Children's Health supported a total of 816 full-time employee positions as a result of its capital improvement activities. Of those 816 jobs, 419 were a result of the hospital's direct spending on construction undertakings, 174 jobs came from the indirect or business-to-business activity, and 222 jobs resulted from the induced effect, which comes from employee spending (Table 3).

TABLE 3 Capital Improvements Economic Impact

DESCRIPTION	DIRECT	INDIRECT	INDUCED	TOTAL
Employment	419	174	222	815
Output	\$79,147,003	\$34,264,920	\$34,734,801	\$148,146,724
Employee Compensation	\$18,553,729	\$9,951,198	\$9,806,257	\$38,311,184
Value Added	\$34,982,572	\$19,112,554	\$20,648,921	\$74,744,047
Labor Income	\$27,723,811	\$11,896,403	\$11,839,207	\$51,459,421



DISEASE-SPECIFIC CARE CERTIFICATIONS

Children's Health holds eight disease-specific care certifications from The Joint Commission. In addition, Children's Health is ranked in all 10 specialties by *U.S. News & World Report*.

Combined Impact

The total combined impact for the operations and construction spending of Children's Health is substantial — \$2.57 billion to the DFW metropolitan-area economy in 2015. Additionally, Children's Health supports 15,732 jobs throughout the study area. The bulk of the impact lies with operations (94.25%), whereas construction spending only accounted for a small portion (5.75%) of the total 2015 economic impact (Table 4).

TABLE 4 Total Combined Impact

DESCRIPTION	DIRECT	INDIRECT	INDUCED	TOTAL
Employment	7,358	3,340	5,034	15,732
Output	\$1,229,966,041	\$558,352,776	\$787,091,931	\$2,575,410,748
Employee Compensation	\$574,793,523	\$177,418,294	\$222,150,378	\$974,362,195
Value Added	\$716,727,994	\$326,155,211	\$467,919,159	\$1,510,802,364
Labor Income	\$686,121,987	\$211,048,100	\$268,234,168	\$1,165,404,255

Visitor Spending Summary

As a top health care provider, Children's Health attracts patients from outside the DFW region who spend money on goods and services while visiting, as do the family and friends who may accompany them. However, actual visitor spending is not known. Therefore, this impact is not being included in the totals presented in this report.

Still, it is possible to estimate the value. Assuming each of the patients from outside DFW has one visitor per day and that visitor spends \$160 daily (\$130 for lodging and \$30 for food purchased outside of Children's Health facilities), the value of direct visitor spending is estimated to be approximately \$1.52 million. Using the input/output model, visitor spending generated \$2.61 million in 2015 (See Table 5). Compared with the overall impact of Children's Health operations (\$2.57 billion), this is much smaller contribution.

TABLE 5 Visitor Spending

DESCRIPTION	DIRECT	INDIRECT	INDUCED	TOTAL
Employment	17.25	3.11	3.14	23.50
Output	\$1,520,446.39	\$601,584.49	\$490,414.12	\$2,612,445.00
Employee Compensation	\$324,796.18	\$153,479.62	\$138,410.04	\$616,685.84
Value Added	\$885,738.13	\$345,918.95	\$291,548.09	\$1,523,205.17
Labor Income	\$374,879.36	\$184,056.55	\$167,125.06	\$726,060.97

Community Impact

This report has identified and measured the direct, indirect, and induced economic impacts of Children’s Health in 2015. As the data suggest, Children’s Health, along with other health and medical institutions in the Dallas area, contribute significantly to the local economy in terms of jobs, investment and income. However, it is the often unmeasurable contributions that can make a major difference. To better understand these impacts, the University of North Texas team conducted one-on-one interviews with many community leaders to assess their thoughts about the intangible contributions that Children’s Health makes to the DFW community as well as its economy. Here are highlights of those conversations:

David Biegler

Chair Emeritus of Children’s Health and former Chair of the Dallas Regional Chamber

David Biegler believes the health care infrastructure is an important aspect of the Dallas area’s quality of life, which enhances its ability to attract and retain business. “Companies like Toyota simply wouldn’t be relocating to North Texas if we didn’t offer an optimal and comprehensive health care system—of which Children’s Health is a critical component. This is especially the case for businesses bringing in families with children.”

Biegler cites the research Children’s Health is doing with UT Southwestern Medical Center as important and an enhancement to the reputations of both institutions — the Children’s Medical Center Research Institute at UT Southwestern focuses on the discovery of transformative advances in the understanding and treatment of cancer, birth defects, and metabolic diseases in patients.

Companies like Toyota simply wouldn’t be relocating to North Texas if we didn’t offer an optimal and comprehensive health care system—of which Children’s Health is a critical component.

— David Biegler, Chair Emeritus, Children’s Health,
and former Chair, Dallas Regional Chamber



COMMUNITY HEALTH FAIR

Children’s Health provides nutritious snacks for kids at the Celina Community Health Fair.

For companies relocating to the area, especially if they're moving young families, the presence of Children's Medical Center Plano is a huge draw and helps explain the city's emergence as a major corporate headquarters location. — Sally Bane, Plano Economic Development

Sally Bane

Executive Director of Plano Economic Development and a voting member of the Children's Medical Center Plano Governing Board

While the importance of a city's or region's medical infrastructure varies from company to company, Sally Bane believes it ranks among the top 10 factors in the business relocation or expansion equation. The lack of comprehensive health care and medical facilities can hurt a community's chances for landing a business prospect.

"About 25% of Plano's population is under the age of 18," says Bane. "For companies relocating to the area, especially if they're moving young families, the presence of Children's Medical Center Plano is a huge draw and helps explain the city's emergence as a major corporate headquarters location. "

BREAKING GROUND for the Children's Health Andrews Institute for Orthopaedics & Sports Medicine in Plano were (from left) Bill Cawley, Children's Medical Center Governing Body member; James Andrews, M.D., Kennedy Spurger, Children's Health Andrews Institute patient; Christopher Durovich, Children's Health president and CEO; Phillip Myers, Children's Health Andrews Institute patient; and Sally Bane, executive director of Plano Economic Development.



John Bonnot

Director of Economic Development of the Frisco Economic Development Corporation

Frisco has worked hard to attract health and medical facilities, John Bonnot says, not only to provide services to city residents, but also to gain the jobs and investment spending that are associated with the industry. "Similar to the Dallas Regional Chamber, the Frisco Economic Development Corporation finds that relocating companies are already familiar with the area's health care assets. Often employees with children who are being asked to move to Frisco inquire about the scope and quality of pediatric medicine in the community before agreeing to be relocated."

Mike Rosa

Senior Vice President for Economic Development of the Dallas Regional Chamber

Mike Rosa says that 20 years ago, companies had to be convinced that Dallas possessed top-tier medical facilities, but not today. "The 'health care' box is already checked by companies considering expanding or relocating to the Dallas area, making the job of industrial recruitment much easier. When Chamber officials and staff meet with relocating employees, they're often asked questions about pediatric care, especially by parents with children who have special needs. Because Children's Health offers comprehensive care, including pediatric cardiology and oncology, their concerns are put to rest."

Rosa also notes that the regional health care system, including Children's Health, not only generates direct economic benefits, but complements many high-tech industries in the Dallas area, especially in the biosciences.

When Chamber officials and staff meet with relocating employees, they're often asked questions about pediatric care, especially by parents with children who have special needs. Because Children's Health offers comprehensive care, including pediatric cardiology and oncology, their concerns are put to rest.

— Mike Rosa, Dallas Regional Chamber

James Gandy

President of the Frisco Economic Development Corporation

James Gandy notes that "Children's Medical Center Plano is near the border between Plano and Frisco – two of the country's fastest-growing cities. Frisco is even younger than Plano, with one-third of its population under the age of 18 and a school district that enrolls 3,500 new students each fall." He believes Children's Medical Center Plano has greatly enhanced his community's quality of life and been a tremendous draw for people as well as relocating and expanding businesses.

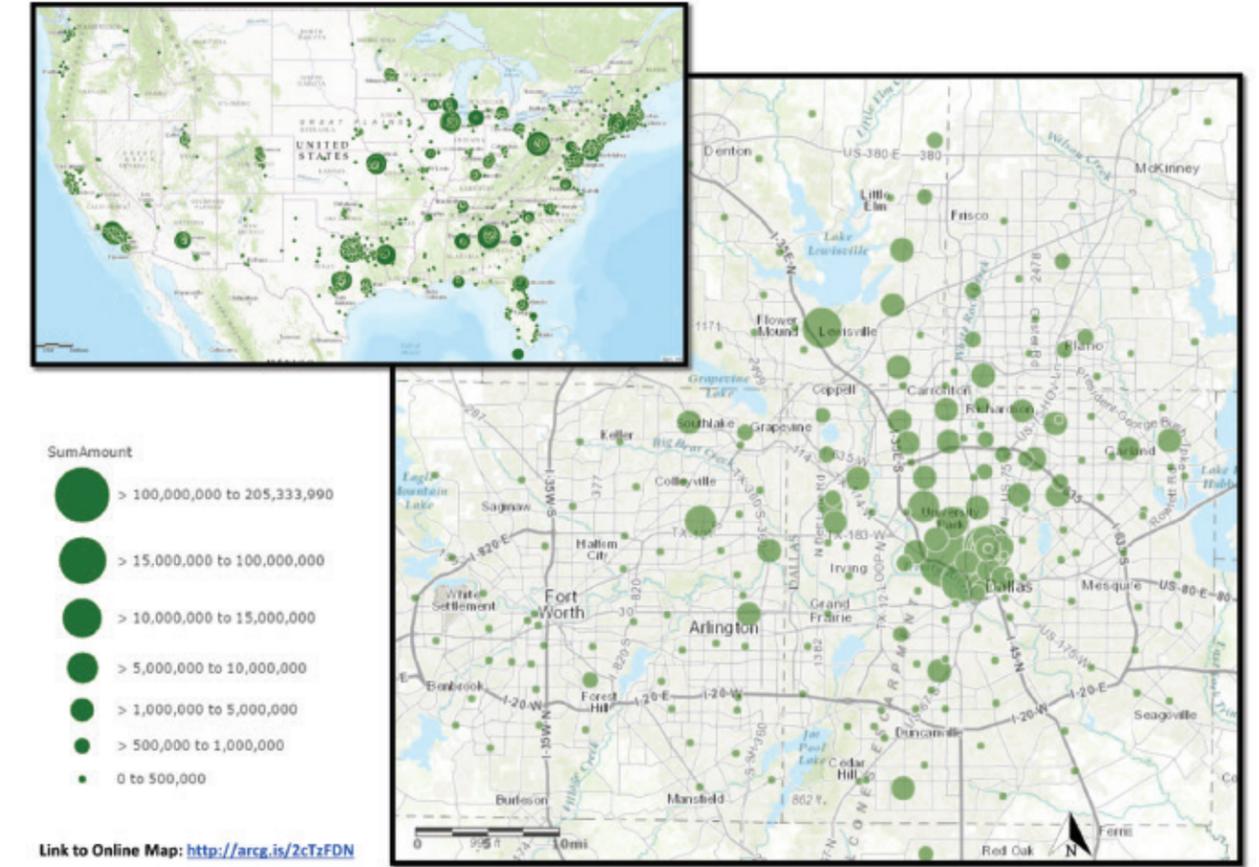
CHILDREN'S MEDICAL CENTER DALLAS

Children's Medical Center Dallas is the flagship hospital of Children's Health and in 2015 had 490 licensed beds and 5,972 employees.

Spatial Analysis of Areas Benefited

Interactive Map

Children's Health has an economic impact that reaches throughout the DFW region and beyond. To see where, view the spatial analysis in the version of this report on our website: www.childrens.com/2015economicimpactstudy.



Methodology

This study uses the Dallas-Fort Worth (DFW) region for analysis as its economy is strongly integrated. The U.S. Office of Management and Budget's (OMB) definition of the "Dallas-Fort Worth-Arlington Metropolitan Statistical Area" is used, and the counties included in the region are Collin, Dallas, Denton, Ellis, Hood, Hunt, Johnson, Kaufman, Parker, Rockwall, Somervell, Tarrant, and Wise. After determining the region for analysis, the operations spending and capital improvement spending values are placed into an Input/Output economic model that examines how the money being spent on property development ripples through a regional economy. Input/Output methodology allows for insight into forward and backward linkages that are present in any regional economy, highlighting how they add value to the initial dollar spent. The model – in this case facilitated by the IMPLAN software package – measures the total annual economic activity that results from inter- and intra-industry transactions.

The model first breaks the economy into 536 separate sectors with each sector representing an individual industry, then it uses a sectoring scheme developed by the IMPLAN Group. This scheme is closely related to the Bureau of Economic Analysis (BEA) REIS model and is a 536 X 536 (row x column) matrix showing all the economic activity between the individual sectors. The entries in the matrix are based on the dollar amount that each industry sells to (and purchases from) other industries in a regional economy. It measures the amount of final consumption by the residents of the region as well as how much each industry exports from the area. The model uses data collected at the county level, which is obtained from the IMPLAN Group and the BEA. County data is in turn aggregated or "rolled-up" to form service areas, such as local regions, states, or larger geographic regions like the Midwest. Input/Output models are able to estimate economic impacts because the flow of goods and services within an economic region is relatively stable. Predictions can be made of an industry's total economic impact by examining the purchasing patterns of the individual sectors. The BEA collects extensive data on these regional trade flows and reports its findings annually.

The UNT Economics Research Group used the Input/Output methodology to measure the total economic activity resulting from Children's Health expenditures.

PEDIATRIC CLINICAL RESEARCH AT CHILDREN'S MEDICAL CENTER

Since 1961, Children's Medical Center has been the primary pediatric clinical partner for UT Southwestern Medical Center, a world-class research center that has been home to six Nobel Prize-winning researchers and 14,000 faculty and staff. This affiliation connects Children's Health clinical expertise with the leading-edge teaching and research capabilities of UT Southwestern.

Direct, Indirect, and Induced Impacts

After the region is selected and the data on spending is entered, how the spending flows through the region and affects it can be calculated. The three levels of spending impacts analyzed are direct, indirect, and induced. The direct impact includes the purchases of resources (labor, goods, and services) by hospital operations. The indirect impact occurs through industry-to-industry purchases made by regional suppliers. Finally, the induced impact reflects the change in consumer spending caused by employees of Children's Health and its regional suppliers spending their salary dollars. Therefore, the total impact to the economy is the summation of the direct, indirect, and induced components. The indirect and the induced portions are commonly known as the multiplier, and their impacts are often referred to as the "multiplier effect." It shows how the initial (direct) spending multiplies through the economy. Calculating the multipliers based on the supplier relationships and employee consumption patterns are much more accurate than simple multiplier tables.

The effects that the three levels of impacts and related spending have on employment is also calculated in the IMPLAN economic model. Employment is the total number of full-time wage and salary employees in a particular industry. Part-time workers' hours are aggregated into full-time equivalents (2,080 hours) and reported with the full-time workers. An IMPLAN economic model will draw from multiple sources of data to offer employment estimates. This is due to the differences in how employment data are gathered by varying government agencies. In general, due to nondisclosure rules, the employment figure reported by government agencies often underestimates true employment in a given county. In accordance with U.S. Code Title 13, Section 9, no datum is published that would disclose the operations of an individual employer or put an individual employer at an unfair disadvantage.

Total Employment Impact

By carefully combining the employment figures reported by the U.S. Department of Labor, Bureau of Economic Analysis, U.S. Census, and the Internal Revenue Service, a fairly comprehensive employment figure can be reconstructed. The raw data is then "sectored" into the appropriate NAICS and, in turn, combined into the necessary industry vectors and IMPLAN matrices. The result of this process is a "Total Employment" impact figure that is a result of the three levels of economic impacts associated with the initial spending. An IMPLAN economic model also calculates employee compensation, which includes all salaries, wages, and benefits paid to the industry's employees resulting from the direct, indirect, and induced employment impacts. The figure includes the proprietors' income of self-employed persons in the industry. The figures reported are gross amounts and taken from the IMPLAN data set.

Input/Output methodology and IMPLAN software allow one to leverage and integrate the enormous amount of data collected by government agencies. As such, a reliable model of how spending affects a regional economy can be developed. These models take into account not only how money is initially spent in the "direct" stage of an event, but also inter- and intra-industry transactions. These transactions establish forward and backward linkages in a regional economy during the "indirect" and "induced" stages. In addition to

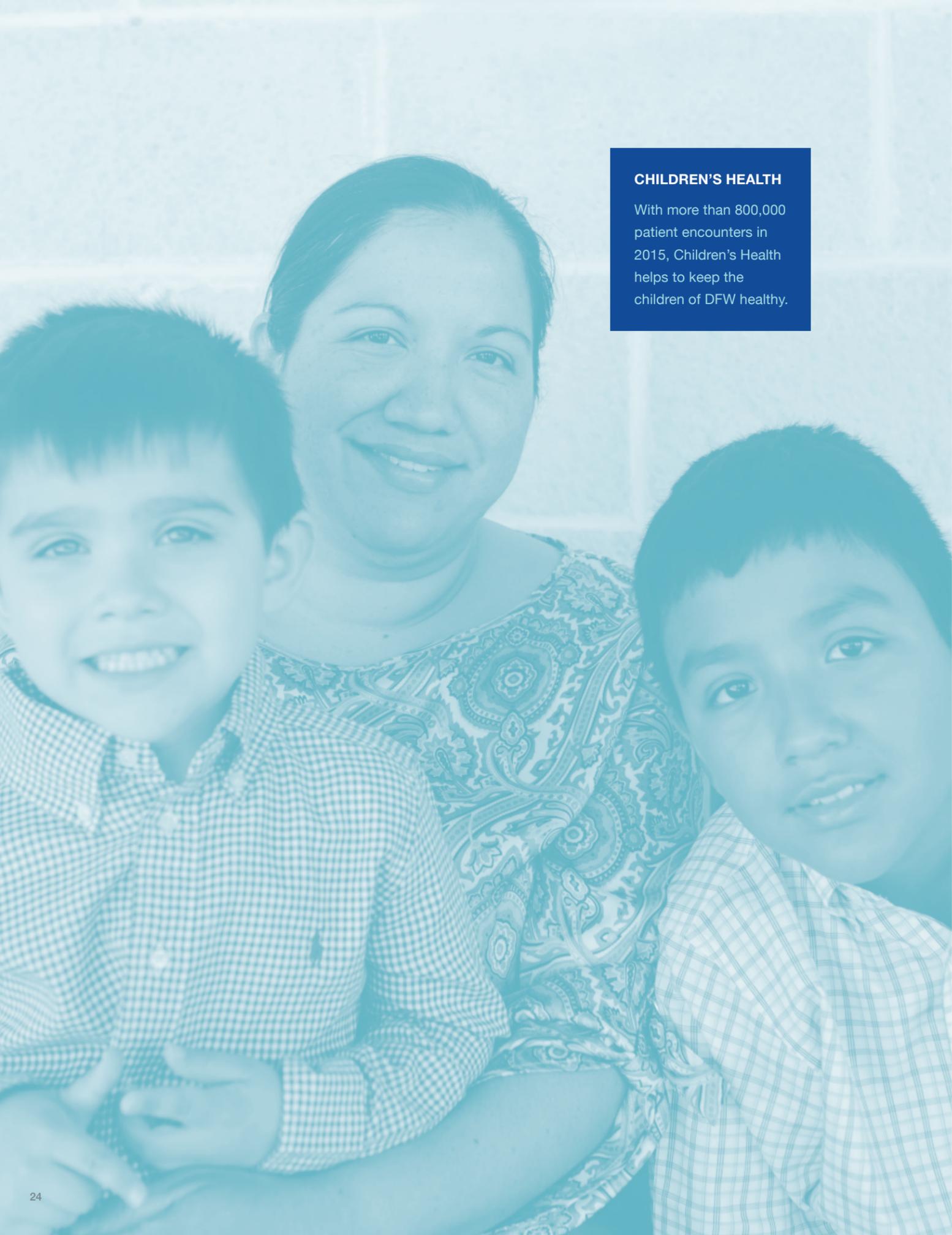
spending, these models also estimate the resulting change in employment. The end product is a comprehensive economic analysis of a given event and its effect on a region.

Understanding Multipliers

As mentioned above, the operations and capital improvement spending of Children's Health affects the economy in three ways. The direct impact includes the purchases of resources (labor, goods, and services) as the hospital manages and cares for patients daily. The indirect impact measures the volume of industry-to-industry purchases made as a result of Children's Health spending on labor, goods, and services. The induced impact reflects the change in household demand as those employees of Children's Health and its suppliers earn dollars for consumer spending. Therefore, the total impact to the economy is the summation of the direct, indirect, and induced components. The amount of the indirect and induced portion is found by using a multiplier. The multiplier shows how the initial (direct) expenditures get multiplied through the economy. Calculating the multipliers based on the supplier relationships and employee consumption patterns are much more accurate than simple multiplier tables.

RYAN, PATIENT, 6 YEARS OLD, is not able to move his legs. Rajashree Srinivasan, M.D., (Physical Medicine and Rehabilitation, left) and Daniel Swan, (physical therapist, team leader, right), help him learn how to raise and lower himself in and out of his wheelchair during a physical therapy session at Our Children's House Dallas.





CHILDREN'S HEALTH

With more than 800,000 patient encounters in 2015, Children's Health helps to keep the children of DFW healthy.

TO VIEW AND DOWNLOAD A PDF OF THE ECONOMIC
IMPACT REPORT ONLINE, PLEASE VISIT
WWW.CHILDRENS.COM/2015ECONOMICIMPACTSTUDY
