

REGION: UCR medical school's economic benefit will take time



STAN LIM/STAFF PHOTOGRAPHER

UCR 1st year medical student and clinic manager John Park gives some last minute instruction to other students before their weekly medical clinic at First Congregational Church on Wednesday, March 6 2013, in Riverside.

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The UC Riverside School of Medicine was pitched as an economic engine that would change the fortunes of Riverside and maybe even the Inland Empire.

Former Riverside Mayor Ron Loveridge compared its potential to that of a large corporation.

Timothy White, former UCR chancellor, said it would be a “catalyst for transforming economic development” and anchor “a new economy for our region.”

Whether such rosy predictions come true — and when — remain open questions. But experts say it will take years and possibly decades.

The recently accredited school will welcome its initial class of 50 students this fall. Projections are that by 2021, the school could add \$150 million per year to the local economy. And, eventually, the regional benefit of its research and training efforts could grow to more than \$1 billion annually.

The current annual total payroll for Riverside and San Bernardino counties — a figure closely associated with gross domestic product or, in this case, gross county product — is \$120 billion. Adding a couple of billion dollars to that mix isn't likely to radically alter the economic picture, and much of that infusion will be felt years or decades from now. But the school's promoters and some economists say that, in the long term, the school will do more than pump a little money into the region's economy.

"It's going to be bringing in individuals who are getting advanced degrees and advanced skills, and they'll be able to serve the community that way," said Robert Kleinhenz, chief economist at the Kyser Center for Economic Research, part of the Los Angeles County Economic Development Corp.

More opportunities in the medical field likely will raise the region's standard of living, he added.

"It's not just the dollar amount but the job quality," Kleinhenz said. "That's every bit as important as having this facility in the community."

THE NEW MEDICAL SCHOOL

Traditionally, medical schools have constructed centralized medical centers where student doctors can train as interns and residents. In the past two decades, that model has proved too expensive for many universities trying to establish a school of medicine. The newer model is for medical students to train at established hospitals in their region.

Paul Umbach is president and founder of Tripp Umbach, a Pittsburgh-based firm that has reported on the economic benefits of medical schools across the country.

"Ninety percent or so of the market has gone to a community-based approach," Umbach said of new medical schools. "The cost is part of the reason for that. With a standard 300-bed teaching hospital, you're looking at up to a half billion (dollars) at the time of construction."

Umbach said a school needs as long as 15 to 20 years to mature to the point of full economic impact. Most mature schools, he said, annually bring between \$2 billion and \$4 billion to the economy of the surrounding area.

With the new decentralized model, he said, "the impact is still there, but it's dispersed."

How much money a medical school brings to an area varies significantly.

Florida State University in Tallahassee opened its college of medicine in 2001 with a class of 30 students. By 2006, the college reached its target annual enrollment of 120 new students. Tallahassee's metropolitan region has a population of 273,000, slightly less than the city of Riverside's 311,000. Unlike Riverside, Tallahassee is not part of a larger urban region.

An economic study of the school's first 10 years found a peak impact in its fourth year of about \$115 million, and a total of \$747 million from 2001 to 2010. The study said for every \$1 invested in the school, \$2.50 was added to the local economy through secondary spending, commonly called the ripple effect.

New students and faculty add vigor to the economy with their spending on housing, supplies, recreation, transportation and personal activities. Schools with research arms, such as Tallahassee and Riverside, bring in contracts and grants that also can boost local spending.

In Orlando, where the University of Central Florida opened a new medical school in 2009, the benefit is even greater. A study by the Metro Orlando Economic Development Commission in December 2008 estimated a \$13 dollar payoff for every dollar invested in the college of medicine and medical center.

The Orlando school was part of a large medical park known as Lake Nona. It includes a Veterans Affairs medical center and a children's hospital.

"It's become known as the 21st century Disney," said Jennifer Wakerfield, a spokeswoman for the commission, referring to the affect Disneyworld had on Orlando when the theme park was built 45 years ago.

BUILDING THE ECONOMY

UCR's school is more closely related to the college in Tallahassee. That medical school has a central campus with no medical center. There are five satellite campuses around the state where students train at area hospitals.

Myra Hurt is senior associate dean for research and graduate programs at the college.

"The med school has been great for Tallahassee," Hurt said.

She said, much like UCR, the school is encouraging its students to pursue careers in primary care and to open practices in the local region. Figures from the school show that 56 percent of its graduates are going into primary care residencies. Of the 51 physicians who have completed residencies, 24 have established practices in the region.

"They're adding to the current practices," Hurt said. "That of course generates revenue."

Inland economist John Husing said that will be the eventual economic payoff, when medical school graduates set up shop here.

“As that happens you will get the doctors, you will get the nurses, you will get the technicians,” Husing said. “All of those will add to the local economy.”

Each individual practice should add about \$1.5 million to the economy, Husing said. The infusion of doctors also will help to cut the doctor/patient ratio, which is particularly lopsided in the Inland region.

The statewide average is 256 doctors per 100,000 residents, according to 2010 figures from the American Association of Medical Colleges. In the Inland area, that ratio is 110 per 100,000. No state has an average that low.

Husing said an economic benefit in the billions of dollars is probably a reasonable expectation. He said he currently is working on an economic study of Loma Linda University Medical Center.

“What I’m seeing is in the billions,” he said.

Any immediate boost to the local economy from UCR’s medical school will be limited, he said.

“You’ll have more students living there,” Husing said. “You’ll have the professors at the school living on the economy there. What you’ll be missing is the effect, say, at UCLA, where you’ve got (a medical center with) a lot of patients. It will have an effect, but it won’t be as great.”

UCR’s dean of medicine, G. Richard Olds, said other factors should be considered. A substantial portion of medical dollars from the Inland area currently are spent elsewhere, he said.

“I would argue that our economic impact will be larger because the out-migration is so high,” Olds said. “People go and get their care outside our area. If we can keep some of those (dollars), that’s the biggest pot of money. All we have to do is provide as good of care as they can get in Orange County and Los Angeles County.”

He said the school may reach its economic maturity sooner than most because it doesn’t have to pay for a medical center.

“The actual time, in my opinion, is less,” he said. “Maybe it’s 10 to 15 years. It’s still a while, but it might be a shorter timeline.”

It will take longer if the school does not receive backing from the state. The planned 2012 opening was delayed a year when state officials chose not approve \$15 million in requested funding and the school’s application for accreditation was denied. Alternative funding from local and UC sources allowed the school to gain its accreditation last fall. But instead of

accepting 80 students, as originally planned, it will admit 50. That's not expected to change until the state provides a requested \$10 million per year.

Olds doesn't think there is any good reason for denying the funds.

"We passed Prop. 30 and we've got a balanced budget," he said. "It's got to happen. I really need to get that money this year."