

Summary of Medicaid Expansion and the Louisiana Economy

Prepared for

Louisiana Department of Health*

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Summary of Medicaid Expansion and Louisiana Fiscal Outlook¹

Fiscal 2017

The direct economic impact of Louisiana’s Medicaid expansion program, based on the type of healthcare treatment being provided, is illustrated in Table 1 for FY 2017. In State Fiscal Year 2017 the federal government had a FMAP of 97.5% for the Medicaid expansion program, meaning for every dollar the state spent on Medicaid expansion in Louisiana, the federal government paid 97.5 cents. Louisiana’s choice to participate in the Medicaid expansion represents an injection of net new federal dollars into the Louisiana economy that otherwise would not be present. This means that Medicaid expansion, in addition to providing healthcare for non-elderly adults with income being less than 138% of the federal poverty level, also creates an economic stimulus to the state’s economy. In SFY 2017 this federal infusion of dollars amounted to \$1.85 billion. This economic impact means sustaining and creating employment impacts, personal earnings, and state and local tax receipts.

Table 1. Economic Impact of Medicaid Expansion Program on Louisiana Economy Based on Payments to Managed Care Organizations, State Fiscal Year 2017 (in millions)

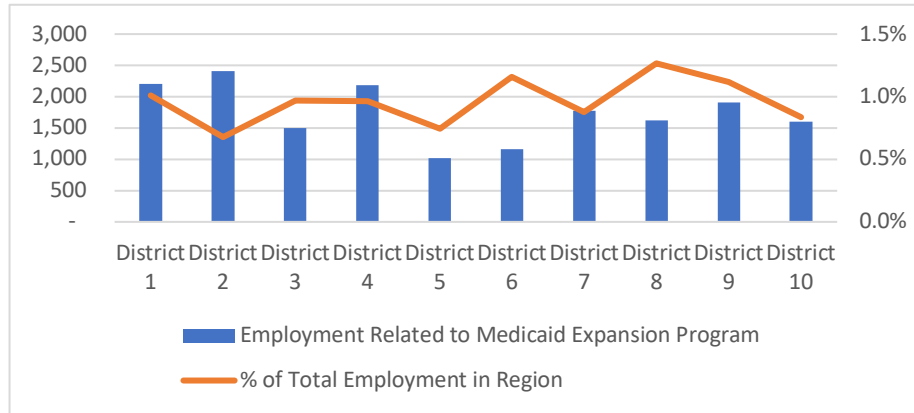
Type of Activity	Federal Payment	Business Activity	Personal Earnings	Employment	State Tax Receipts	Local Tax Receipts
Hospitals: Inpatient Care	\$495.5	\$939.9	\$350.4	5,311	\$29.1	\$21.0
Outpatient Care	\$297.8	\$564.8	\$210.2	2,593	\$17.5	\$12.6
Pharmacy	\$284.5	\$539.7	\$201.2	3,825	\$16.7	\$12.1
Physicians and other Professions	\$441.1	\$836.5	\$311.9	4,420	\$25.9	\$18.7
Other Medical Services	\$64.6	\$122.4	\$41.6	1,150	\$3.4	\$2.5
Administration of Program	\$266.5	\$476.8	\$124.8	1,818	\$10.4	\$7.5
Total Activity of Medicaid Expansion	\$1,850.0	\$3,480.1	\$1,118.2	19,195	\$103.2	\$74.6

¹ This Summary of the Medicaid expansion and the state’s fiscal outlook was prepared by Dr. James A. Richardson, Dr. Jared J. Llorens, and Dr. Roy L. Heidelberg, all faculty members of the Public Administration Institute, Louisiana State University. This Executive Summary is part of a major report being prepared on behalf of the Louisiana Department of Health by Louisiana State University and the LSU Health Science Center.



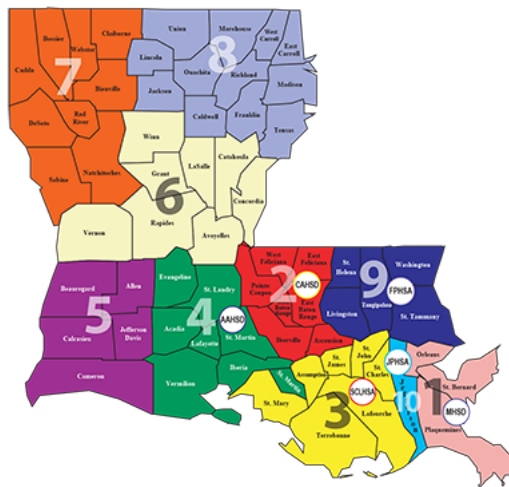
This economic impact influenced the jobs, earnings, and state and local tax receipts. The state derived an additional \$103.2 million in overall state receipts. Local governments derived an additional \$74.6 million. This economic impact has been and will be felt around the state since healthcare is a state-wide activity and not concentrated in one area as illustrated in Figure 1.

Figure 1. Employment Related to Medicaid Expansion Spending in Health Districts and % of Total Employment



The ten health districts as defined by the Louisiana Department of Health are illustrated in Map 1 and the employment in each of these districts initiated by the federal spending on Medicaid expansion is illustrated in Figure 1. This employment is focused in the healthcare sector but is spread around other business sectors as well, including trade, personal services, construction, and other such sectors.

Map 1. Louisiana's Health Districts



This economic stimulus will continue as long as the state allows for expanded Medicaid access under the Affordable Care Act. In addition, there are several important comparisons to note:

- (1) The estimated state tax receipts that were generated by the infusion of federal dollars exceeded the dollars budgeted for the Medicaid expansion program by close to \$50 million. This does not include any net budgetary savings from moving participants from one Medicaid program to Medicaid expansion under a higher FMAP,
- (2) The employment support is very important to the state since other sectors of the state's economy, such as the oil and gas sector, have been downsizing in Louisiana since 2014 due to global market conditions
- (3) The economic impact associated with the Medicaid expansion program is spread across the state, and
- (4) Any resurgence in the Louisiana economy because of global and national markets or because of efforts by the state will not be deterred by expansion in the healthcare industry given the variation in employment training and background.

Last, these economic gains are in addition to the broader gains from people having appropriate healthcare throughout their adult life. Improved healthcare access can also have a positive effect the labor force participation rate, defined as the number of persons in the work force who are 16 years of age and older. Improved labor force participation rates should be one long-term result of the Medicaid expansion program, and rising labor force participation rates will allow for further employment growth in the state.

