Medicaid Expansion and the Louisiana Economy

Prepared for

Louisiana Department of Health*

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Executive Summary

Medicaid Expansion and the Louisiana Economy

Medicaid expansion provides health insurance for non-elderly adults with income less than 138% of the Federal Poverty Level. It provides for a 97.5% federal contribution for state fiscal year 2017, a 94% federal contribution in calendar year 2018, a 93% federal contribution in calendar year 2019, and a 90% federal contribution from calendar year 2020 and beyond, assuming no further changes in Medicaid at the federal level. This large federal contribution represents an infusion of federal spending in Louisiana that would not have occurred if the state had not accepted Medicaid expansion as created in the Patient Responsibility and Affordable Care Act passed by the U.S. Congress in 2010. This federal infusion creates and sustains economic activity in the healthcare sector which then impacts all other sectors of the state's economy.

The economic impact as summarized by the Kaiser Family Foundation is as follows:

Illustration 1. Flow of Medicaid Dollars through Louisiana Economy

State Medicaid Expansion: Policy Decision of State		
	Leads to	
Federal Medicaid Dollars: Net New Dollars to Louisiana Economy (dollars that would not be present in Louisiana economy if not for Medicaid Expansion)		
	Providing net new direct spending for Healthcare Providers	
leads to spending by Healthcare Providers for		
Healthcare Vendors and Healthcare Services	**Income Earned by Employees of Healthcare Providers**	**Other Products and Services**
With this spending fostering additional spending in local economy		
Consumer Purchases	Business Purchases	Business Investment
All of this activity leads to economic impact on local economy		
Business Transactions	Personal Earnings	Jobs	State and Local Tax Receipts

The economic model above has been used by multiple states to evaluate the impact of the injection of federal dollars for Medicaid programs, including Medicaid expansion:

- The University of Michigan's Institute for Healthcare Policy & Innovation noted that Michigan's expansion of Medicaid health insurance had boosted the state's economy and budget and would continue to do so for at least five years.

- Regional Economic Analysis prepared a study for the state of Arkansas and found that Medicaid expansion in Arkansas had contributed a 0.41% increase in gross domestic product as of 2014 and would have a continuing positive impact on the growth of GDP and on state employment through 2020

- The Colorado Health Foundation prepared a report title "Assessing the Economic and Budgetary Impact of Medicaid Expansion in Colorado: FY 2015-16 through FY 2034-35" in which they concluded that Medicaid expansion is and will continue to have a significant positive impact on the state's economy

- The Commonwealth of Kentucky retained Deloitte Development, LLC to prepare a study outlining the impact of Medicaid expansion on the state's economy, with the following result: the net difference between expanding Medicaid and not expanding Medicaid was estimated to be a positive $919.1 million from FY 2014 through FY 2021

- "The Real Impact of Medicaid Expansion in Maine," estimated that expanding Medicaid coverage in Maine would create 6,000 net new jobs, 4,000 in the healthcare sector and 2,000 in other sectors of the economy.

- A study by the Pennsylvania Department of Human Services (January 27, 2017) found that the expansion of Medicaid led to an increase of employment by 15,500 jobs and an increase in state tax revenues of $53.4 million.

- Study by Bureau of Business and Economic Research at the University of Montana estimated Medicaid expansion created and supported about 5,000 jobs with increases in personal income of $280 million with about 2,000 jobs being in the healthcare industry and the other 3,000 jobs scattered in retail, personal services, construction, and the hospitality industry.

The direct economic impact of Louisiana's decision to expand Medicaid , based on the type of healthcare treatment being provided, is illustrated in Table ES.1 for FY 2017. In State Fiscal Year

2017, the federal government had an average FMAP of 97.5% for the Medicaid expansion program, meaning for every dollar the state spent on Medicaid expansion, the federal government paid 97.50 cents. Louisiana's choice to participate in the Medicaid expansion represents an injection of 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 the net new federal infusion of dollars amounted to $1.85 billion after adjusting for non-elderly adults being transferred from other Medicaid programs with lower FMAP rates. This economic impact means sustaining and creating employment impacts, personal earnings, and state and local tax receipts.

The federal injection of just $1.85 billion created and supported almost 19,200 jobs, state tax receipts of just over $103 million, and local tax receipts of $74.6 million.

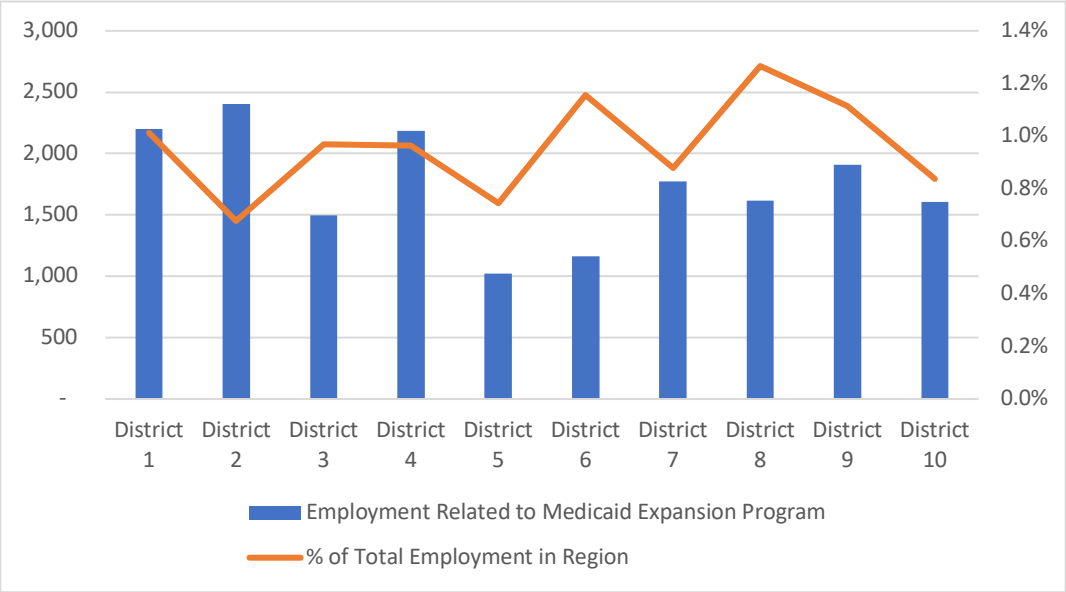
Table ES 1. Economic Impact of Medicaid Expansion Program on Louisiana Economy Based on Payments to Managed Care Organizations, State Fiscal Year 2017 (in millions)

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

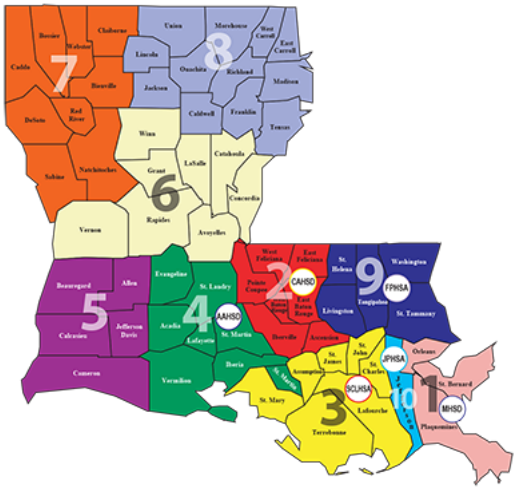
The infusion of Medicaid expansion federal dollars enhances economic activity and employment throughout the state as illustrated in Table ES.2. Healthcare activity is a statewide activity so any increase in a federal infusion of healthcare dollars will be spent throughout the state and will affect employment and economic activity throughout the state in addition to providing

healthcare for the state's citizens. The impact on the various regions of the state as defined by Health Districts in Map ES.1 is included in Figure ES.1 for FY 2017.

Figure ES.1 Employment Related to Medicaid Expansion Spending in Health Districts and % of Total Employment, SFY 2017



Map ES.1, Louisiana 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.

Medicaid Expansion and Louisiana Fiscal Outcomes

Introduction: Medicaid and Medicaid Expansion

Medicaid provides, as of 2018, health and long-term care to approximately 1.7 million low-income children, pregnant women, adults, seniors, and people with disabilities in Louisiana. Hospitals and nursing homes receive a large share of their funding from Medicaid reimbursements. Medicaid is a means-tested entitlement program that finances the delivery of primary and acute medical services as well as long-term services that is jointly funded by the federal government, through the Federal Medical Assistance Percentage (FMAP), and state governments.[1] The federal government provides at least 50% of Medicaid funding for every state and provides more funding for a state according to the state's FMAP, a formula based on the average per capita income for each state relative to the national average.[2]

In Louisiana, for FY 2018, the FMAP for the long-standing Medicaid program that covers poor, elderly, and disabled citizens is projected to be 63.90% and 97.58% for the enhanced FMAP or the Medicaid program for children.[3] In 2012, these FMAPs were 61.09% and 72.76% respectively. In 2018 the state of Louisiana receives from the federal government 63.90 cents for every dollar the state spends on healthcare for those individuals covered by Medicaid prior to the expansion of coverage to poor non-elderly adults under the Affordable Care Act. In FY 2018, Louisiana will receive 97.58 cents for every dollar it puts into the children's insurance program so the state pays on net 2.42 cents per healthcare expenditure for each dollar spent on eligible children. In both cases of Medicaid coverage, the federal government makes a major contribution to the state's overall system of healthcare and related healthcare spending. In 2015, the FMAP for Louisiana's LAChip program was 73.44 cents. It was increased to 96.55 cents per dollar in 2016; 96.60 cents per dollar in 2017; and, now in 2018 it is 97.58 cents per dollar. This higher rate will continue through 2019 for the enhanced Medicaid program for children.[4]

In 2015, prior to Medicaid expansion in Louisiana, almost one half of the population of Louisiana was insured through employer-supported-insurance plans. Thirteen percent of the population was insured through Medicare and 21% through Medicaid, two programs initiated and supported by the federal government with the federal government bearing all of the cost for Medicare and

[1] Section 1095 (b) of the Social Security Act specifies the basic formula for calculating the FMAP but with adjustments as specified by law such as section 614 of the Children's Health Insurance Program Reauthorization Act of 2009. U.S. Department of Health & Human Services, Office of the Assistant Secretary for Planning and Evaluation.

[2] **Medicaid's Federal Medical Assistance Percentage (FMAP),** Alison Mitchell, Congressional Research Service, February 9, 2016.

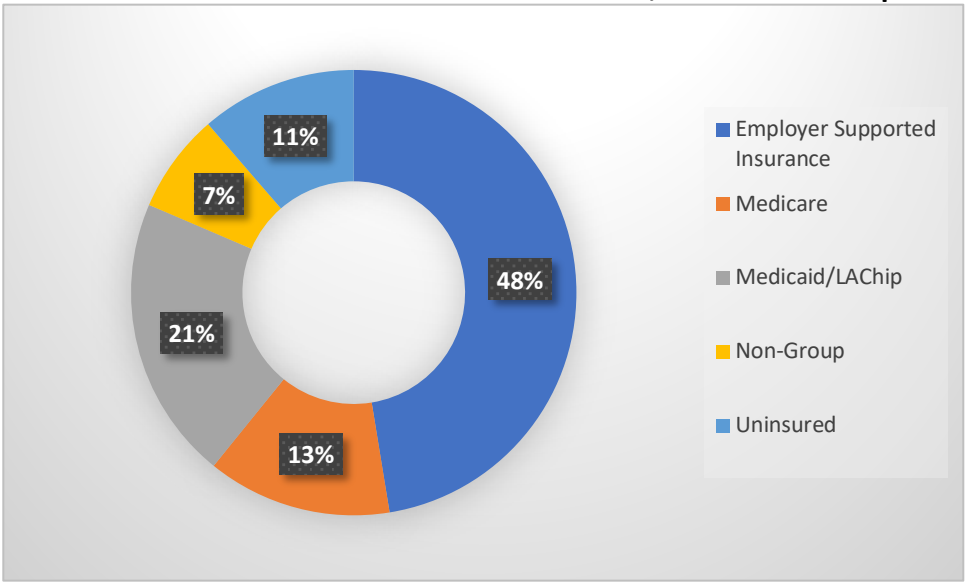
[3] The enhanced FMAP is the Medicaid program for children.

[4] The Affordable Care Act (P.L. 111-148)

the state and federal government sharing the cost for Medicaid. Seven percent of state residents were insured privately but not through an employer and 11% of the population, or over 500,000 persons, were uninsured (see Figure 1).

Louisiana's healthcare distribution is not substantially different from national distribution averages. For the entire country, 49% of the population had employer-supported-insurance; 14% had Medicare; 20% had Medicaid; 7% had a non-group insurance plan; and 9% had no insurance.

Figure 1. Source of Healthcare for Louisiana Citizens, Pre Medicaid-Expansion



Source: Medicaid in Louisiana, The Henry J. Kaiser Family Foundation, June 2017.

In 2016, 40% of Louisiana's population had income less than 200% of the federal poverty level, the definition of low income, as compared to 30% of the U.S. population.[5] Only two states had a higher percentage of its population with income less than 200% of the federal poverty level, Mississippi (42%) and New Mexico (41%). Louisiana's poverty rate is an important factor in determining eligibility for Medicaid as well as the federal assistance in paying for the Medicaid program.

As of 2018, Medicaid plays a major role in both the U.S. healthcare system and in the Louisiana healthcare system. According to the Henry J. Kaiser Family Foundation,[6] Medicaid accounts for one-sixth of the dollars spent on healthcare in Louisiana; one-third of dollars distributed to safety-net hospitals; and half of dollars spent on long-term care. Total healthcare spending in the state is significant since, according to the Louisiana Workforce Commission, the Healthcare and

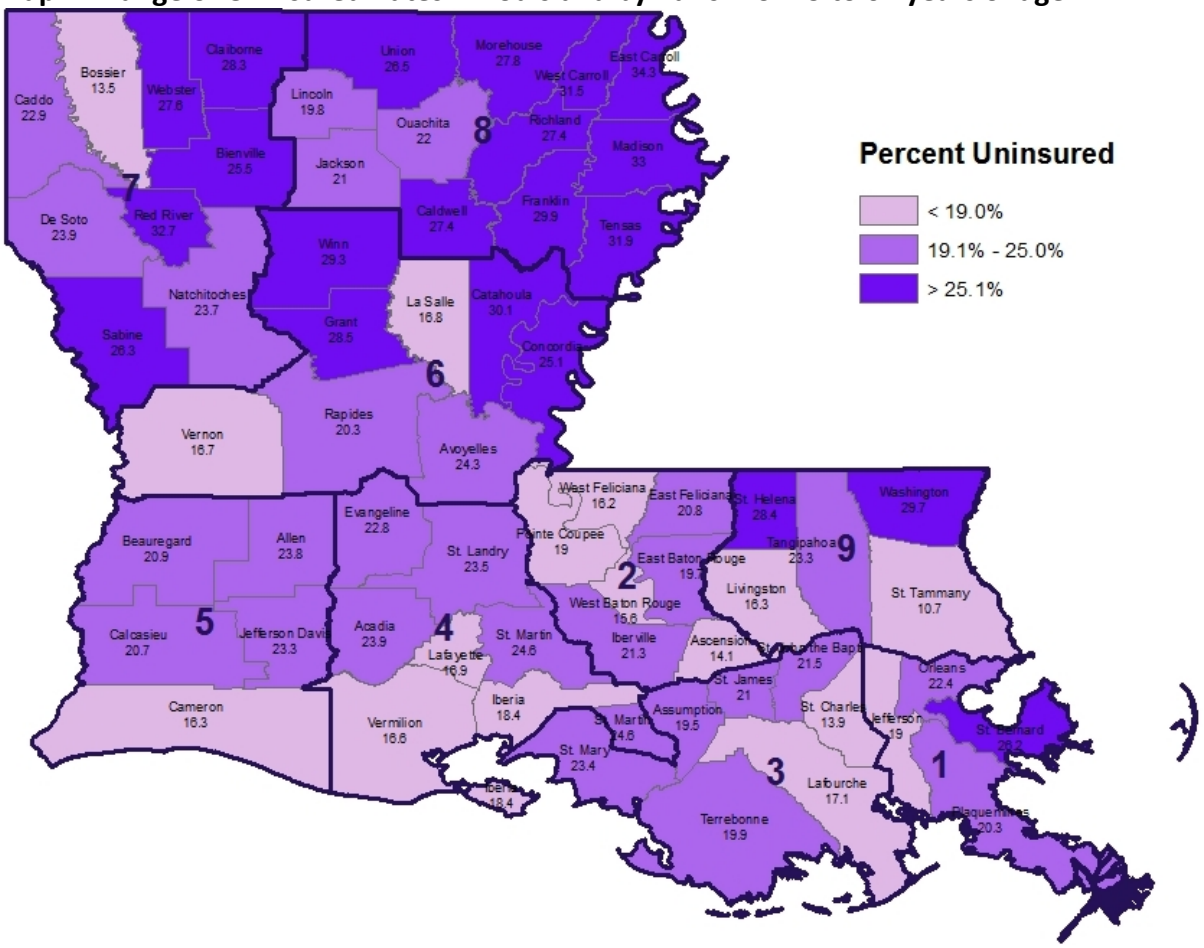
[5] Distribution of the Total Population by Federal Poverty Level, www.KFF.org. the Henry J. Kaiser Family Foundation.
[6] **Medicaid in Louisiana,** Henry J. Kaiser Family Foundation, June 2017.

Social Assistance business sector makes up 16% of total employment and just over 15% of total payroll in the state.[7] Certain segments of the healthcare industry, the ambulatory healthcare services and hospitals, each make up 5.5% of total employment in the state and over 6% of the state's total payroll.

To provide a context for the state impact of Medicaid expansion under the ACA, the percentage of uninsured non-elderly adults in the state for 2013 is illustrated in Map 1.[8] As can be seen, rates varied across the state with northeastern Louisiana having a large number of parishes with the uninsured rate among non-elderly adults being greater than 25.1%. Large population zones such as Orleans Parish, East Baton Rouge Parish, Calcasieu Parish, Rapides Parish, Caddo Parish, and Ouachita Parish had uninsured rates between 19.1% to 25.0%. A quarter of the parishes had uninsured rates below 19.0%. The uninsured rate for non-elderly adults is much higher than the uninsured rate among other categories of the population. Overall, Louisiana's uninsured non-elderly adults amounted to 22% of non-elderly adults. Prior to Medicaid expansion, uninsured non-elderly adults lacked access to healthcare apart from emergency services.

[7] Louisiana Workforce Commission, **Employment and Wages, 2nd Quarter 2017**.
[8] **Louisiana Health Insurance Survey, 2013,** Division of Economic Development, E. J. Ourso College of Business, LSU, published in August, 2014.

Map 1. Range of Uninsured Rates in Louisiana by Parish for 19 to 64 years of age



The percent and number of uninsured persons in various categories of non-elderly adults for 2013 is illustrated in Table 1, along with their corresponding income categories. In 2013, there were 291,000 non-elderly adults that had incomes less than 138% of the FPL. There were 555,285 non-elderly adults without insurance that had incomes up to 400% of the FPL. These estimates were derived from a survey research project conducted by the LSU Economic Policy Research Group on behalf of the Louisiana Department of Health. While based upon a sample of state residents, the data provide a reasonable estimate of the number of people who had no insurance and would likely be eligible for coverage under Medicaid expansion. This report also noted that, based on its survey, there were an estimated 404,143 non-elderly adults with income being less than 200% of the FPL without healthcare insurance or about two-thirds of the uninsured non-

elderly adults.[9] Some of these individuals included in these estimates were covered by Medicaid through other mechanisms, and under Medicaid expansion, could be provided coverage under a more favorable FMAP rate.

Table 1. Uninsured Non-elderly Adults in Relation to Federal Poverty Level

Federal Poverty Level (FPL)	Percent of Uninsured Non-elderly Adults in Each Income Category	Number of Uninsured Non-elderly Adults in Each Income Category
0 to 13% FPL	35.1%	82,249
13% to 100% FPL	39.3%	126,793
100% to 138% FPL	37.2%	81,958
138% to 150% FPL	37.3%	23,628
150% to 200% FPL	30.9%	89,515
200% to 250% FPL	23.5%	56,641
250% to 300% FPL	20.1%	43,566
300% to 400% FPL	13.8%	50,935

Source: **Louisiana Health Insurance Survey, 2013,** Division of Economic Development, E. J. Ourso College of Business, LSU, published in 2014.

A further comparison of Medicaid in the U.S. and Medicaid in Louisiana is provided in Table 2 based on 2015 characteristics. Louisiana had fewer adults receiving Medicaid assistance and fewer low-income individuals receiving Medicaid assistance than the national average despite the fact that the share of the population in Louisiana that is low-income exceeds the national rate. In 2015 Louisiana had not expanded Medicaid coverage to all non-elderly adults with income below 138% of the federal poverty level (FPL). Instead, Louisiana had utilized a safety-net healthcare system for its low income non-elderly adults who could not afford healthcare insurance or who did not fit into another category that was covered by Medicaid.[10] Medicaid expansion has switched the state from a safety-net model to an insurance model for most of its lower income citizens. The insurance model could also create substantial health benefits over time and lower healthcare costs over time given the ability of these non-elderly adults to receive healthcare prior to emergencies.

[9] *Louisiana's Uninsured Population: A Report from the 2013 Louisiana Health Insurance Survey,* sponsored by the Louisiana Department of Health & Hospitals and conducted by the LSU Division of Economic Development and the LSU Public Policy Research Lab.

[10] Louisiana has supported a state-wide charity hospital system since the initiation of the Charity Hospital in New Orleans in 1732. The charity hospitals were state facilities. The Jindal Administration changed almost all of the charity hospitals from state facilities to private facilities through contracts between the state and private hospitals. The state still has a charity hospital system with private hospitals working in the role as charity hospitals for the state.

Louisiana had a larger number of persons receiving nursing home assistance than the national average and Medicaid-provided nursing home assistance is covered in Louisiana. Louisiana had the same number of children and the same number of persons with disabilities using Medicaid as the national average, again Medicaid programs that have been fully adopted by Louisiana. The insurance model had applied to all segments of the population except for non-elderly adults.

Table 2. U.S. and LA Comparison with respect to Individuals Using Medicaid, 2015(?)

	U.S.	LA
Adults	1 in 7	1 in 8
low-income individuals	1 in 2	2 in 5
Children	2 in 5	2 in 5
Nursing Home Residents	3 in 5	3 in 4
People with Disabilities	2 in 5	2 in 5

* **Medicaid in Louisiana,** Henry J. Kaiser Family Foundation, June 2017.

The Patient Protection and Affordable Care Act (ACA), signed into law on March 23, 2010, was intended to broadened access to health insurance. As of 2010 almost 50 million persons in the United States, or about 15% of the population, did not have any form of health insurance. In 2015, an estimated 500,000 Louisiana residents, about 11% of the total population, lacked access to insurance. This also amounted to 28% of the population between the ages of 18 and 65, given that elderly adults are covered by Medicare and Medicaid, as needed, and children and parents are covered by Medicaid, as needed.[11] The uninsured rate for all children in Louisiana is around 4% and the uninsured rate for Medicaid-eligible children is around 5%.[12] This estimate of uninsured citizens is consistent with the fact that about 20% of non-elderly adults in Louisiana live in poverty and with the information provided in the 2013 survey by the LSU Division of Economic Development.

The method of extending coverage to non-elderly adults via the ACA was through graduated tax credits for people with incomes between 100% and 400% of the federal poverty level (FPL) and through an expansion of the Medicaid program to include non-elderly adults whose income is less than 138% of the FPL.[13] The U.S. Supreme Court in a 2012 decision[14] declared that the federal government could not force states to expand their Medicaid programs to include this group of

[11] "The Louisiana Health Care Landscape," Kaiser Family Foundation, published June 8, 2016. This number is reduced by the creation of the Greater New Orleans Community Health Connection, a Medicaid pilot program whose mission is to provide access to primary care for uninsured adults up to 200% of the FPL with this program servicing close to 40,000 persons.

[12] Louisiana Department of Health.

[13] The FPL for 2018 is $12,140 for family of 1; $16,460 for family of 2; $20,780 for family of 3; $25,100 for family of 4; $29,420 for family of 5; $33,740 for family of 6; $38,060 for family of 7; and, $42,380 for family of 8.

[14] National Federation of Independent Business v. Sebelius, 567 U.S. 519 (2012). This decision upheld the power of the U.S. Congress to enact most provisions of the Patient Protection and Affordable Care Act, but it did limit the power of Congress to expand the Medicaid program to include non-elderly adults without the consent of the state.

non-elderly adults, which in effect gave states the choice to expand their Medicaid programs. As of 2018, 33 states, including the District of Columbia, have expanded their Medicaid programs. In 2016, Louisiana made a decision to join the Medicaid expansion program.

Impact of Medicaid Expansion on the Budget and the Economy

Much of the debate in all states about whether to adopt or not to adopt Medicaid expansion has focused on budgetary issues, namely, the cost of the program to the state and the ability of the state to support the program as the Federal Medical Assistance Percentage (FMAP) for non-elderly adults is gradually reduced from 100% for 2014, 2015, and 2016 to 90% in 2020.

From a purely budgetary perspective, Medicaid expansion can reduce the cost of the state's healthcare program through the following mechanisms:

- Movement of eligible non-elderly adult Medicaid recipients[15] from the lower federal-match rate for the long-established Medicaid programs to the higher federal-match rate of the Medicaid expansion program. The transfer came from four programs including Take Charge Plus with a 90% FMAP for SFY 2016, GNOCHC with a 62.21% FMAP for SFY 2016, Pregnant Women with a FMAP of 62.21 in SFY 2016 and Persons with Disabilities with a 62.21% FMAP for SFY 2016.

- The GNOCHC transfers, as well as the transfer of Pregnant Women and Persons with Disabilities, saved Louisiana 35.29 cents for every dollar of Medicaid expenditures in 2017 for former participants[16] and will save the state 31.29 cents for every dollar of Medicaid expenditures in SFY 2018 and in SFY 2019, 29.29 cents in SFY 2020, and 29.79 cents in each year beyond FSY 2020.

- The Take Charge Plus program saved Louisiana 3.5 cents for every dollar of Medicaid expenditures in SFY 2017 and will save the state 3 cents in SFY 2018 and SFY2019, and 1.5 cents in SFY 2020. After FSY 2020 the Take Charge FMAP will be the same as the Medicaid expansion FMAP in 2020 at least as it is currently established.

- Certain hospital supplemental payments have been funded at the lower federal-match rate but can now be funded at a higher expansion match rate saving the state approximately from 30 cents per dollar of eligible Medicaid expenditures in 2017 to 26 cents for every dollar of eligible Medicaid expenditures once the Medicaid expansion federal/state ratio reaches 90/10

[15] Louisiana Department of Health

[16] And this comment does not include any benefits from better healthcare service since the GNOCHC program supported relatively limited healthcare services.

- Newly released state prisoners are now eligible for Medicaid insurance under the Medicaid expansion program

- Collection of additional premium taxes from the managed care organizations thereby increasing state revenues, and

- Disproportionate share payments to hospitals will decrease as the number of uninsured decreases.

Some of these budgetary changes are long-term and will continue to contribute to budgetary savings for the duration of the program. The state's share of the Medicaid expansion program will gradually increase to 10%, so the budgetary savings will be reduced over time. If additional persons are added to the Medicaid rolls, then this will affect the state's spending on Medicaid. A more robust federal match rate for Medicaid expansion allows for the budgetary savings. During the first three years of Medicaid expansion (2014, 2015, and 2016) the federal government agreed to fund 100% of the cost for non-elderly adults. Gradually, this federal obligation will fall to 90% by 2020.

In addition to the budgetary implications of the program for the state, the Medicaid expansion program also serves as an ongoing economic input given the very favorable FMAP. Medicaid expansion represents an injection of net new federal dollars that would not be forthcoming unless the Medicaid expansion program were implemented. The Kaiser Family Foundation summarized the economic impact of Medicaid spending in a state as shown in Illustration 1, with this model working for both the Medicaid expansion program and the long-established Medicaid programs.[17] This model is also outlined in a study by the Urban Institute in June 2013.[18]

[17] ***The Role of Medicaid in State Economies: A Look at the Research, Executive Summary,*** Kaiser Family Foundation, January 2009.
[18] **Medicaid Expansion Under the ACA: How States Analyze the Fiscal and Economic Trade-offs,** Urban Institute, June 2013,

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Consumer Purchases	Business Purchases	Business Investment	
All of this activity leads to economic impact on local economy			
Business Transactions	Personal Earnings	Jobs	State and Local Tax Receipts

This economic model has been used by multiple states to evaluate the impact of Medicaid programs on a state's economy and on the "real" cost of expanding Medicaid coverage. These studies focus on the economic impact from a state's perspective, not from a national perspective with examples of these studies including the following:

- The University of Michigan's Institute for Healthcare Policy & Innovation published an article in the *New England Journal of Medicine* stating that **Michigan's** expansion of Medicaid health insurance had boosted the state's economy and budget and would continue to do so for at least five years.

- Regional Economic Analysis prepared a study for the state of **Arkansas** and found that Medicaid expansion in Arkansas had contributed a 0.41% increase in gross domestic product as of 2014 and would have a continuing positive impact on the growth of GDP and on state employment through 2020 ("Economic Impacts of the Arkansas Private Option," August 2015).

- The Colorado Health Foundation prepared a report title "Assessing the Economic and Budgetary Impact of Medicaid Expansion in Colorado: FY 2015-16 through FY 2034-35" in which they concluded that (1) Medicaid expansion is and will continue to have a significant positive impact on the state's economy and (2) the combination of federal funding, the use of a health provider fee paid by hospitals as the source of revenue for the state's share of Medicaid expansion, modest savings in other programs, and increased state tax revenues due to expansion would result in no net cost to Colorado's General Fund.

- The **Commonwealth of Kentucky** retained Deloitte Development, LLC to prepare a study outlining the impact of Medicaid expansion on the state's economy, with the following result: the net difference between expanding Medicaid and not expanding Medicaid was estimated to be a positive $919.1 million from FY 2014 through FY 2021, with 90% of this estimate being related to the positive fiscal impact of Medicaid expansion and the other 10% being related to a negative impact on the state's budget if Medicaid had not been expanded.

- A study by Dr. Elizabeth Kilbreth, "The Real Impact of Medicaid Expansion in **Maine**," estimated that expanding Medicaid coverage in Maine would create 6,000 net new jobs, 4,000 in the healthcare sector and 2,000 in other sectors of the economy. This study preceded a vote by the residents of Maine in 2017 to expand Medicaid. This study also noted that studies in some states had concluded that Medicaid expansion had reduced state spending or prior state-only programs and increased revenues from the infusion of net new federal dollars, thereby offsetting the state revenues required to expand Medicaid.

- A study by the **Pennsylvania** Department of Human Services (January 27, 2017) found that the expansion of Medicaid led to an increase of employment by 15,500 jobs and an increase in state tax revenues of $53.4 million. The methodology used in this analysis of the impact of an infusion of federal dollars on the state's economy is based on the model used by the Kaiser Family Foundation.

- Study by Bureau of Business and Economic Research at the University of Montana for **Montana** estimated Medicaid expansion created and supported about 5,000 jobs with increases in personal income of $280 million with about 2,000 jobs being in the healthcare industry and the other 3,000 jobs scattered in retail, personal services, construction, and the hospitality industry and a previous study in 2015 comparing the results of states that had expanded Medicaid to Montana which, at that time, had not expanded its Medicaid Program conducted by the Chief Administrative Officer for the Native American Programs and Population Management Research in Montana.

This analysis of Medicaid expansion in Louisiana focuses on the economic impact from a state's perspective, not from a national perspective. This diagram of the flow of federal Medicaid dollars through the local economies illustrates the fact that the federal dollars are net new dollars coming to the state that, otherwise, would not. These dollars initiate payments to the healthcare sector which in turn initiate payments to vendors providing commodities and services to the healthcare providers and payments to employees of the healthcare providers and payments to employees of the vendors. This spending by the healthcare providers lead to a second and third round of spending by its employees and the healthcare vendors and providers of healthcare services. The impact of the net new dollars from the federal government has a large impact on the healthcare community and its vendors and employees but also has an impact on grocery stores, service stations, personal and business services, and state and local governments. These jobs, wages and earnings, and state and local tax receipts would not exist if the federal dollars had not been introduced into the state's economy. And, the federal dollars would not be forthcoming if the state had not adopted the Medicaid expansion program.

The state must put up dollars to receive the federal dollars, but, in the case of Medicaid expansion, Louisiana in calendar 2016 did not have to put up any money so the federal government paid 100% of the Medicaid expansion program; the state in calendar 2017 had to put up 5 cents to get 95 cents from the federal government; as of calendar 2018 the state has to put up 6 cents to get 94 cents, as of calendar 2019 the state will have to put up 7 cents to get 93 cents of federal assistance, and as of calendar 2020 Louisiana will have to put up 10 cents in order to get 90 cents of federal dollars. For state fiscal year 2017 Louisiana had to pay 2.5 cents of each dollar put into the Medicaid expansion program and the federal government paid 97.5 cents of each dollar. For state fiscal year 2018 Louisiana will pay approximately 5.5 cents of each dollar for the Medicaid Expansion program and the federal government will pay 94.5 cents of each dollar. The FMAP declines to 90% as of calendar 2020 which means that Louisiana will have to pay its 10% share starting in state fiscal year 2021. In state fiscal year 2020 the state will have six months of a FMAP of 93% and then six months of a FMAP of 90%.

There is a cost to the state, but there is also the economic feedback of the net new dollars flowing to the state to support the Medicaid program that will offset partially or possibly fully the state's expenses. The state's contribution to the Medicaid expansion is a direct cost to be incurred by the state due to the Medicaid expansion program, but the economic impact of the net new federal dollars, including any increased employment, earnings, and state and local tax receipts, is also the result of the Medicaid expansion program. An economic impact coincides with any

program that brings in net new dollars, but in the case of Medicaid expansion, because of the size of the federal contribution to the federal/state mix, the impact is notable.[19]

This ripple effect is associated with all Medicaid programs since the federal government provides dollars for healthcare for lower income individuals. These federal Medicaid contributions vary among programs. In Louisiana in 2018 the FMAP for the long-standing Medicaid program is projected to be 63.90 and 97.58 for the enhanced FMAP for children.[20] The FMAP for the Medicaid expansion is projected to be 90.0 starting in calendar 2020, but in calendar 2018 it will be 94.0 and in calendar 2019 it will be 93.0. In calendar 2018 the state of Louisiana will receive from the federal government 63.90 cents of every dollar it puts into its long-standing Medicaid program so the state pays on net 34.10 cents; 97.58 cents for every dollar the state puts into the children's insurance program so the state pays on net 2.42 cents; and, 94 cents for every dollar in the Medicaid expansion program for newly eligible non-elderly adults so the state pays on net 6 cents and 90.6 cents for every dollar the state uses for childless adults in the pre-ACA expansion so the state pays on net 9.4 cents. In all of these cases, the federal government makes a contribution to the state's healthcare plan, but a very significant federal contribution comes under the Medicaid expansion program as provided in the ACA. And, in all of these cases, there is an economic ripple effect that creates jobs, earnings, and state and local tax receipts that, otherwise, would not have occurred.

Louisiana Department of Health Budget: State and Federal Expenditures

The Louisiana Department of Health's budget and its budget for Medical Vendor Payments are illustrated in Table 2 highlighting expenditures from the state and the federal government. Medical vendor payments are the expenditures paid by the state to medical vendors for services rendered or to managed care organizations The first thing to notice is that Medical Vendor Payments make up close to 90% of the total state expenditures as of FY 2017. The second thing to notice is that federal allocations make up close to 70% of all DH spending as of FY 2018.

[19] The Medicaid Expansion dollars will come to the state regardless of what dollars Louisiana citizens may be paying to the federal government.
[20] The enhanced FMAP is the Medicaid program for children.

Table 2. Louisiana Budget for Department of Health and Medical Vendor Payments (MVP) (billions $s)

Fiscal Year	State Funds*		Federal Funds		All Funds		Fed. as % of all Funds	MVP as % of Total
	DH	MVP	DH	MVP	DH	MVP	DH	MVP
FY 2012	$2.82	$1.93	$5.138	**$4.703**	$7.955	**$6.633**	64.6%	83.4%
FY 2013	$3.01	$2.18	$5.290	**$4.928**	$8.303	**$7.113**	63.7%	85.7%
FY 2014	$3.46	$2.70	$5.261	**$4.873**	$8.726	**$7.577**	60.3%	86.8%
FY 2015	$3.66	$2.90	$5.374	**$4.960**	$9.031	**$7.862**	59.5%	87.1%
FY 2016	$3.59	$2.85	$5.929	**$5.471**	$9.517	**$8.317**	62.3%	87.4%
FY 2017	$3.96	$3.20	$7.929	**$7.433**	$11.894	**$10.636**	66.7%	89.4%
FY 2018	$4.07		$9.499		$13.568		70.0%	

Source: Executive Budgets for Louisiana, Louisiana Division of Administration and Louisiana Department of Health
*includes State General Funds, Statutory Dedications, Fees and Self-Generated, and Interagency Transfers
**Enacted, FY 2018

Total spending in the Louisiana Department of Health, according to the Executive Budget for the state, increased in nominal dollars from $8.247 billion in FY 2012 to $13.594 billion in FY 2018. This increase includes both state and federal revenues. The DH budget increased from FY 2012 to FY 2016 by about $1.3 billion or about $320 million per year. The growth in federal revenues in DH's budget from 2012 through 2016 or before Medicaid expansion was 15.4% and the growth in state spending was 27.4%. This growth corresponded to rising healthcare prices relative to the overall inflation rate, to a rising population with additional pressure on the state support for uninsured individuals, and with a slightly improving FMAP for the state so Louisiana picked up slightly more federal dollars for each Medicaid claim.

In 2016 Louisiana made a decision to become part of the Medicaid expansion program as created by the ACA in 2010. From 2016 to 2018 the growth in federal spending was 60.2% and the growth in state spending was 13.4%. This represents a major change in the source of funds for the support of the Medicaid program and a major expansion of persons now covered by an insurance network.

This decision expanded the number of persons who could qualify for Medicaid to include non-elderly adults with an income equal to or below 138% of the federal poverty level. Many of these people were already being serviced by the state in an emergency management system. That is, if they became seriously ill, they could go to one of the state's private hospitals that had been contracted to provide healthcare service to persons who did not have healthcare insurance. And, even more significantly, the uninsured who became ill, but not in what would typically be called an emergency, would also seek service through emergency rooms. Under the pre-2016 system,

the federal government put up about 64% of the cost of taking care of persons under the emergency management system. The state still incurred and will continue to incur a cost for uninsured non-elderly adults even if the state had not accepted Medicaid expansion, but with a lower degree of federal support.

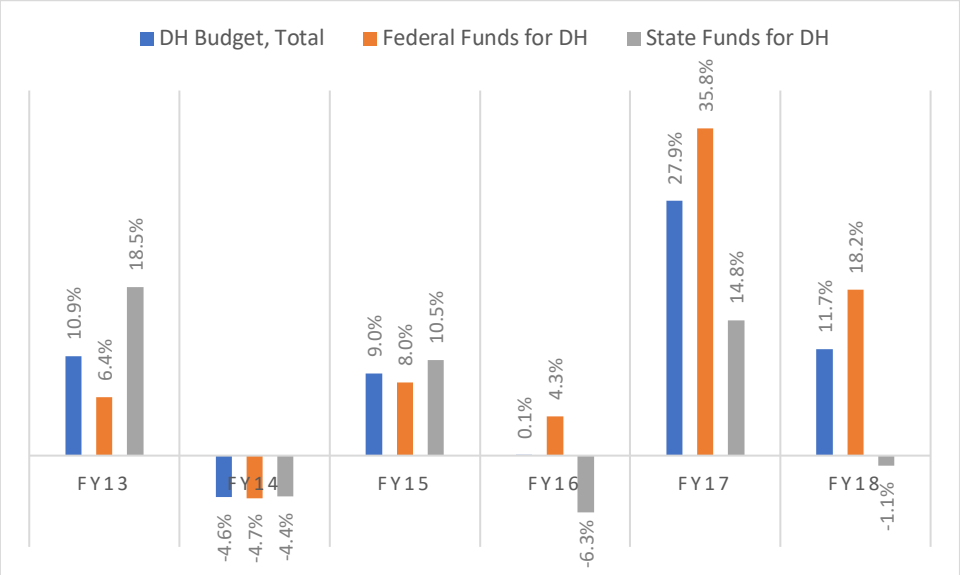
The federal share of DH's budget rose from 62.3% in FY 2016 to 66.7% in FY 2017 and is projected to be 70.0% in FY 2018. This is due to the fact that the federal government subsidizes the healthcare program for non-elderly adults more generously than for the long-standing Medicaid programs. This estimate of 70% federal assistance for the state of Louisiana may diminish modestly since the FMAP for Medicaid expansion will decline from the 94% federal share in 2018 to the 90% federal share in 2020. This estimate of the federal/state ratio also depends on the proportion of persons on the long-established Medicaid programs and those who are eligible for the Medicaid expansion program.

The share of federal spending on the Medicaid program is important since these are dollars that, otherwise, would not come to the Louisiana economy. From FY 2016 to FY 2017 the increase in federal spending made up 80% of the overall increase in the DH budget, while from FY 2017 to FY 2018 the federal spending for DH is projected to make up over 100% of the increase in DH spending so state outlays are projected to decrease.

The source of payments for healthcare is a very important metric given the economic impact of federal spending as noted in Illustration 1. The increasing role of federal spending in the healthcare budget is illustrated in Figure 2. Federal support for healthcare spending in Louisiana grew more rapidly than state spending in FY 2016 and FY 2017 and, as currently projected, in FY 2018. Just over 70% of LDH's budget comes from the federal government. Based on information from the House Fiscal Division approximately 24% of the remainder of the state's budget is financed by federal funds. [21]

[21] FY17-18 Executive Budget Review, Louisiana Department of Health, House Committee on Appropriations, prepared by House Fiscal Division, April 5, 2017.

Figure 2. Growth in DH Budget for FY 2013 through FY 2018.



Increases in federal support for the Louisiana Medicaid project will not eliminate the need for the state to use some of its dollars to support the state's healthcare program. The state still has to make decisions regarding how much of its budget to focus on healthcare for lower income non-elderly adults, but the federal dollars provide another factor in bringing net new dollars to the state that would not be spent in the state without the state's investment in healthcare for its non-elderly citizens.

LDH spending on healthcare is illustrated in Figures 3 and 4 in terms of nominal and real expenditures from FY 2012 through FY 2018. The purpose of these figures is to give perspective to the increases in healthcare spending over the last six years. In Figure 3 both nominal and real expenditures on healthcare have increased from just over $8 billion in 2012 to about $13.8 billion in nominal terms by FY 2018 and about $11.6 billion in real terms.[22] In Figure 4 real healthcare expenditures per capita are illustrated with real per capita spending rising from $1,792 in 2012 to $2,447 in 2018. This increase is consistent with the Medicaid expansion program initiated in 2016. Real state healthcare spending per capita increased from $665 in 2012 to $733 in 2018, an increase of just over 10%. Real federal healthcare spending per capita increased from $1,127 in 2012 to $1,714 in 2018 or an increase of over 52%. Healthcare spending has grown from 2012 through 2018, but this increase has been dominated by federal outlays.

[22] Real expenditures are derived by dividing the nominal expenditures by the consumer price index for healthcare with this index including healthcare commodities and services. The CPI for healthcare has averaged about 70% above the CPI for all goods and services over the last 20 years based on information from the U.S. Bureau of Labor Statistics.

Figure 3. Nominal and Real Expenditures in Healthcare in Louisiana, including Federal and State

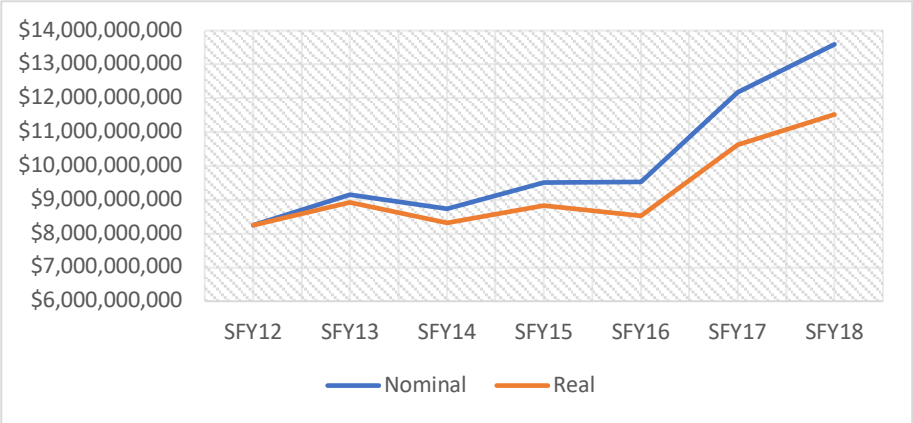
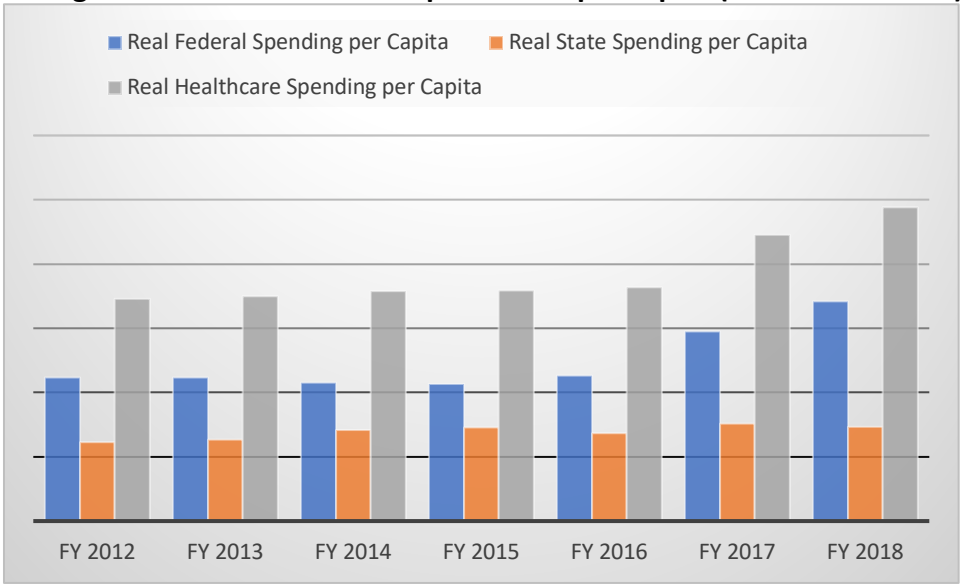


Table 2, Figure 2, Figure 3, and Figure 4 highlight the expanding role of the federal government in the Medicaid program with respect to the source of funding for the program. This increasing federal role with respect to financing the Medicaid program permits the state to improve its budgetary status as opposed to not having the Medicaid expansion program and also allows the state's economy to be stimulated by a new and larger source of federal dollars that, otherwise, would not be have been spent in Louisiana. The increasing federal role in supporting healthcare for non-elderly adults who makes less than 138% of the federal poverty level also enhances healthcare for a group of people who have had a very high rate of being uninsured.

Figure 4. Real Healthcare Expenditures per capita (state and federal)

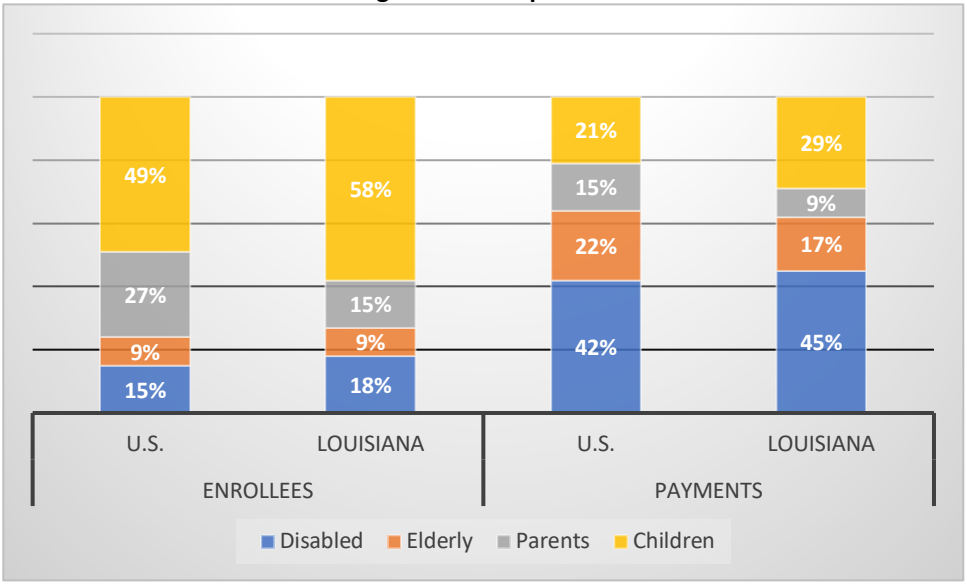


Medicaid and Medicaid Expansion in Louisiana

Medicaid recipients includes the aged, disabled, families and children, and others, all meeting certain income requirements. The Medicaid enrollees and payments, pre-Medicaid expansion, are noted in Figure 5 for Louisiana and the United States representing a division of Medicaid resources among the different eligible categories. Louisiana has relatively more children in its Medicaid program than the national average and spends slightly more on the children as part of its total Medicaid expenditures than the national average. But 58% of the Medicaid enrollees in Louisiana account for only 29% of Medicaid payments. Similarly, 15% of the enrollees in Louisiana are classified as parents and this group accounts for only 9% of the Medicaid payments. Disabled Medicaid enrollees in Louisiana make up 18% of the total enrollees but account for 45% of the Medicaid payments. Louisiana also has a slightly larger number of disabled persons and spends slightly more on their treatment. Louisiana has 18% of its Medicaid enrollees as disabled compared to the national average of 15%. Disabilities account for 45% of the Louisiana Medicaid expenditures compared to the national average of 42%. Louisiana spends less on its parents than the national average and parents represent a smaller percentage of enrollees in Louisiana than the national average. In Louisiana a larger share of the expenditures is on children than the national average. We do not have information presently to say how the Medicaid expansion enrollment and expenditures will compare. Figure 5 certainly conveys the message that there can be and there is a significant difference between the enrollees in Medicaid and the percentage of resources used in the treatment of these enrollees. This is not surprising since it is very

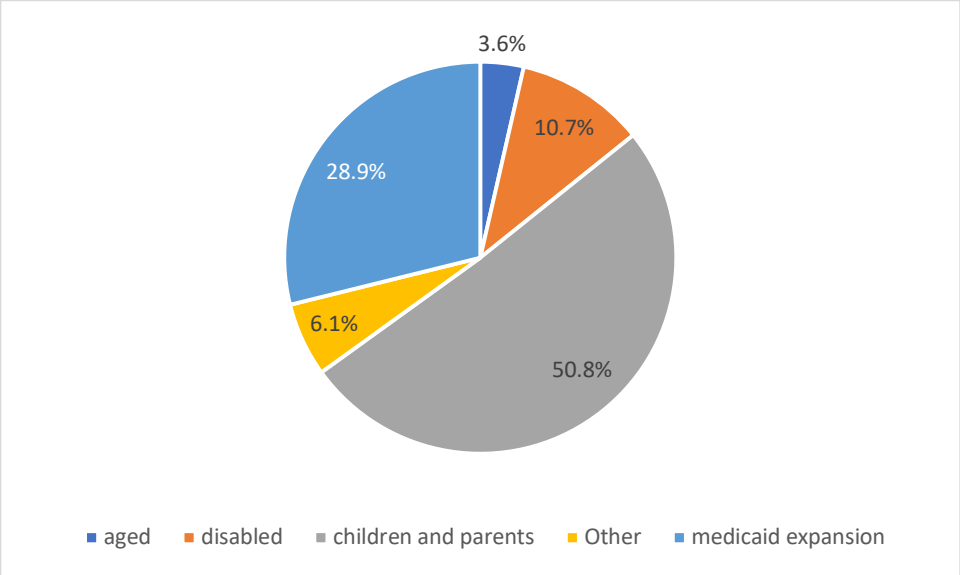
reasonable to expect a disabled patient to cost much more than a young child for medical treatment or, for that matter, an adult without any disability as compared to a disabled patient.

Figure 5. Medicaid Enrollees and Payments for U.S. and LA, not including Medicaid Expansion



Enrollment in the Medicaid program after Medicaid expansion is illustrated in Figure 6. Children and parents make up just over 50% of the total Medicaid enrollees and the non-elderly adults covered by the Medicaid expansion program now make up just under 29% of the total enrollees. The aged and disabled make up a small percentage of the enrollees, less than 15%, but will continue to make up a much larger share of the Medicaid expenditures.

Figure 6. Enrollment in Medicaid by Category



Medicaid expansion payments for hospitals, outpatient care, pharmacy payments, physicians and other professionals, and all other categories of healthcare spending are illustrated in Table 5. The Medicaid payments include managed care organization fees and fees for services provided as paid directly by the state. Almost all of the expenditures will be for managed care organizations. We have divided the Medicaid payments into various types of expenditures since each of these healthcare expenditures has different impacts on the local economies.

Table 5. Total Payments by Type of Healthcare Expenditure for Medicaid Expansion Program, FY 2017 (in millions of dollars)

Expenditures	Federal Contribution	State Share	Total Expenditures	% of Total
Hospitals	$495.6	$12.7	$508.3	26.8%
Outpatients	$297.8	$7.6	$305.4	16.1%
Pharmacy	$284.5	$7.3	$291.8	15.4%
Physicians and Professionals	$441.1	$11.3	$452.3	23.8%
All Other Healthcare Spending	$64.6	$1.7	$66.3	3.5%
Administration	$266.4	$6.8	$273.2	14.4%
Total	$1,850.0	$47.4	$1,897.4	

We can also note that there was a noticeable increase in claim accounts of 51,000,000 in FY 2016 to 66,000,000 in FY 2017.[23] This increase in the claim accounts certainly illustrates the increased usage of Medicaid and indicates the movement from an emergency service program to a health insurance program.

The increase in overall Medicaid enrollees from FY 2016 to FY 2017 represented only about one-third of the total number of Medicaid expansion enrollees which suggest a number of Medicaid enrollees moved from one enrollment option to the Medicaid expansion enrollment option and a number of non-elderly adults who had not been on any Medicaid program but are eligible under the Medicaid expansion guidelines chose to enroll. Non-elderly adults switching from other Medicaid programs included 222,367 from the Take Charge Plus program, a program for family planning services; 65,495 from the Greater New Orleans Community Health Connection; and, a number of persons from the program for pregnant women and for those with disabilities that would qualify for Medicaid expansion.

The information about Medicaid in Louisiana as of 2018 can be summarized as follows:

- A large number of people have taken advantage of the Medicaid Expansion program—over 545,000 persons, but this number is much larger than the increase in total Medicaid enrollees so non-elderly adults who had been on other Medicaid programs were able to switch to the Medicaid expansion program with a much more favorable FMAP.

- The increase usage of the Medicaid program is also documented by the increase in claim accounts from almost 51,000,000 to just over 66,000,000 from FY 2016 to FY 2017

- The Medicaid expansion program has been successful in terms of soliciting eligible citizens to sign up for the health insurance program.

- Public programs such as the Medicaid expansion are not free; rather, there is a financial cost to the state as well as benefits from improving the health of citizens of the state. In the case of Medicaid expansion, this cost to the state is reduced by

    - The very high FMAP associated with this program so the federal government has decided to accept a larger share of the cost of the Medicaid expansion program

[23] Louisiana Department of Health.

- Certain non-elderly adults other Medicaid programs have switched to Medicaid expansion thereby benefiting the state due to the higher FMAP associated with the Medicaid expansion program
- And the infusion of net new federal dollars into the economy creates an economic dynamic that leads to net new jobs and earnings and state and local tax receipts. This is a dynamic factor that should not be overlooked as the Medicaid expansion program is evaluated.

Hence, appreciating the true cost of the Medicaid expansion program to the state is not as simple as examining the budget of the program. It must be accompanied by an analysis of the overall impact including both the budgetary impact and the overall impact of the net new federal dollars on the state and regional economies.

Economic Impact of Medicaid Expansion Program on Louisiana Economy and on State Revenues

The process of estimating the economic impact of the Medicaid expansion program includes the following steps.

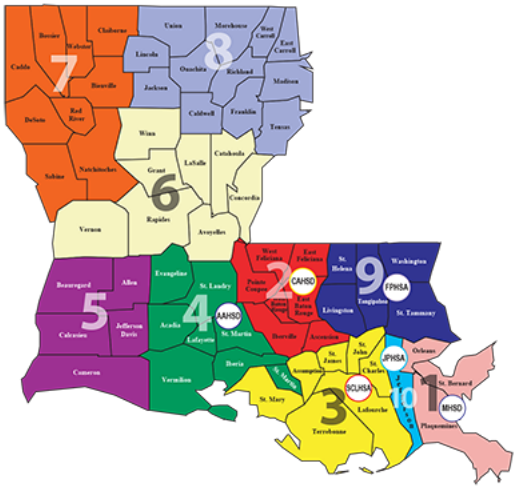
1. Keep in mind the economic ripples being generated by the net new dollars being put into the Louisiana economy as illustrated in Illustration 1. These economic ripples are being magnified by the FMAP on Medicaid expansion as opposed to other Medicaid programs. The model is based on the Regional Input-Output Modeling System as developed by the U.S. Department of Commerce, Bureau of Economic Analysis.

Illustration 1. Flow of Medicaid Dollars through Louisiana Economy

State Medicaid Expansion: Policy Decision of State		
	Leads to	
Federal Medicaid Dollars: Net New Dollars to Louisiana Economy (dollars that would not be present in Louisiana economy if not for Medicaid Expansion)		
	Providing net new direct spending for Healthcare Providers	
leads to spending by Healthcare Providers for		
Healthcare Vendors and Healthcare Services	**Income Earned by Employees of Healthcare Providers**	**Other Products and Services Purchased by Healthcare Providers**
With this net new direct spending fostering additional spending in local economy by		
Consumer Purchases	Business Purchases	Business Investment
All of this activity leads to economic impact on local economy		
Business Transactions	Personal Earnings	Jobs	State and Local Tax Receipts

2. Identify the number of Medicaid enrollees in the Medicaid Expansion program on statewide basis and by the ten health districts as illustrated in Map 2. These health districts have as few as 1 parish in District 10 (Jefferson) and 3 parishes in District 1 (Orleans, Plaquemines, and St. Bernard) to 12 parishes in District 8 (Caldwell, East Carroll, Franklin, Jackson, Lincoln, Madison, Morehouse, Ouachita, Richland, Tensas, Union, and West Carroll).

Map 2. Health Districts in Louisiana, Louisiana Department of Health



3. Medicaid enrollees for FY 2017 are noted in Table 5. The total enrollees will include some double-counting due to a person having changed classifications during the year.

Table 5. Medicaid Enrollees by Type of Eligibility, FY 2017

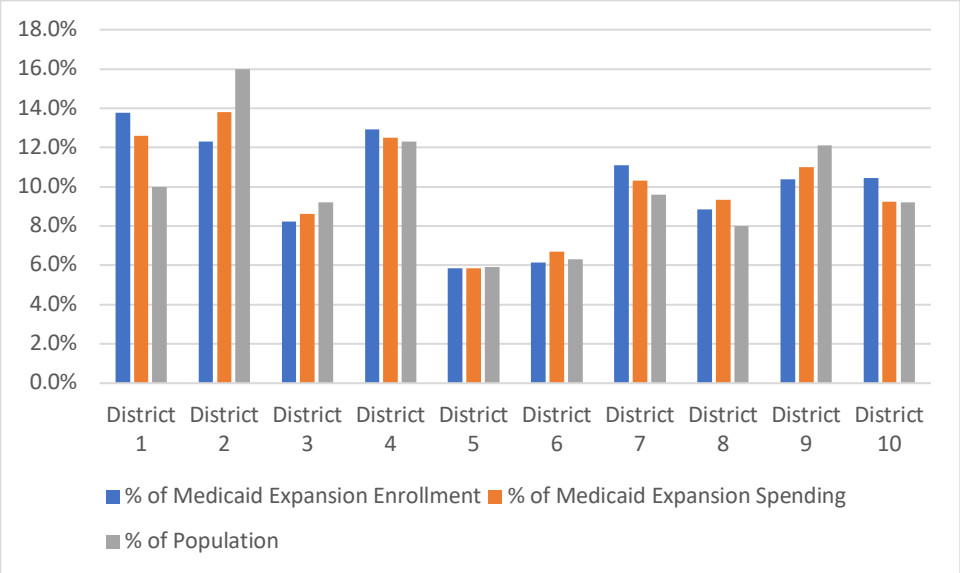
	Aged	Disability	Parents & Children	Medicaid Expansion	Others	Total Enrollees*	% Medicaid Expansion
District 1	11,026	27,923	89,734	**74,727**	26,618	230,028	32.5%
District 2	12,049	28,519	126,424	**66,845**	28,162	261,999	25.5%
District 3	8,155	20,173	80,071	**44,657**	21,097	174,153	25.6%
District 4	14,748	29,846	130,158	**70,071**	29,909	274,732	25.5%
District 5	5,908	12,913	62,120	**31,830**	14,451	127,222	25.0%
District 6	8,512	18,827	64,732	**33,346**	16,180	141,597	23.5%
District 7	13,565	32,277	111,843	**60,283**	26,754	244,722	24.6%
District 8	10,102	21,285	81,914	**48,078**	20,565	181,944	26.4%
District 9	10,403	22,860	105,870	**56,261**	26,201	221,595	25.4%
District 10	8,625	18,089	87,270	**56,731**	20,167	190,882	29.7%
Others				**3,117**		3,117	100.0%
Louisiana	103,093	232,712	940,136	**545,946**	230,104	2,064,219	26.4%

Medicaid enrollees without any double-counting came to 1,791,69 in 2017 as opposed to the 2,064,219 as noted in Table 5. The enrollees in Table 5 reflect the persons who, at one time during FY 2017, were classified in a particular program.

4. Approximately 26.4% of Medicaid enrollees are entered in Medicaid expansion in FY 2017 with the largest percentage being in District 1, including Orleans, Plaquemines, and St. Bernard parishes, with 32.5% of this District's Medicaid enrollees be in the Medicaid expansion program and District 10, which is Jefferson Parish, having almost 30% of their Medicaid enrollees being in Medicaid expansion. Districts 2 through 9 hovers around 25% of their Medicaid enrollees being in Medicaid expansion.

5. Medicaid expansion enrollees and spending are compared to population of each district in Figure 6. The percentage of Medicaid expansion enrollment and spending exceeds the population percentage in Districts 1 (New Orleans) , 4 (Lafayette), 7 (Shreveport), 8 (Monroe) and 10 (Jefferson). In Districts 2 (Baton Rouge), 3 (Houma-Thibodaux), and 9 (Northshore) the percentage of Medicaid expansion enrollment and spending is lower than the percentage of population. In Districts 5 and 6 the percentage of population and Medicaid expansion enrollment and spending are approximately the same.

Figure 6. Comparison of Population and Medicaid Expansion Enrollment



6. The Medicaid expansion activities of these enrollees in terms of payments for services received in FY 2017 are illustrated in Table 6 by Districts with these medical activities being Inpatient Hospital Care, Outpatient services, Pharmacy, Professional Visits (including visits to Doctors and other medical professions), other medical activities, and administration. Medicaid expansion expenditures total close to $1.9 billion with $452

million going to Physicians and professional visits and medical assistance, $291.8 million being for pharmacy and prescriptions, $508.3 million for inpatient hospitals, $305.4 million for outpatient services, $66.2 million for other healthcare services, and $273.2 million for administration. Districts 1, 2, and 8 tend to spend relatively more Medicaid expansion expenditures than the percentage of Medicaid expansion enrollees. For example, Health District 1 has 11.2% of the Medicaid enrollees but spend about 11.5% of Medicaid expansion expenditures and in District 2 Medicaid enrollees make up about 12.8% of the total Medicaid expansion enrollees but about 13.6% of the Medicaid expansion estimated expenditures.

Table 6. Medicaid Expenditures by Type of Healthcare Activity for Medicaid Expansion Program Including both Federal and State Contributions, FY 2017 (in millions)

	Medical Services: Hospitals Inpatient	Medical Services: Outpatient and Other Services	Medical Services: Pharmacy	Medical Services: Physicians and Other Professionals	Other Medical Services	Total
District 1	$61.8	$37.7	$45.1	$53.3	$6.7	$204.6
District 2	$78.9	$41.3	$42.0	$53.6	$8.3	$224.2
District 3	$40.6	$28.2	$25.4	$40.0	$6.0	$140.2
District 4	$59.5	$39.6	$36.3	$57.4	$10.2	$202.9
District 5	$33.1	$17.6	$14.4	$24.9	$5.0	$95.1
District 6	$36.6	$20.3	$16.2	$30.7	$5.1	$108.9
District 7	$55.2	$31.1	$25.6	$49.9	$5.9	$167.7
District 8	$43.1	$29.2	$24.7	$47.8	$7.0	$151.7
District 9	$53.1	$35.1	$31.4	$51.1	$7.9	$178.6
District 10	$46.3	$25.3	$30.8	$43.6	$4.2	$150.1
Administration	$0.0	$0.0	$0.0	$0.0	$273.2	$273.2
Total	$508.3	$305.4	$291.8	$452.3	$66.2	$1,897.2

7. The expenditures in Table 6 are state dollars coupled with federal dollars and, in the case of Medicaid expansion, the federal government in state fiscal year 2017 put up 97.5% of the total expenditures so for every 2.5 cents the state spent on healthcare for non-elderly adults with incomes less than 138% of the FPL, the federal government injected 97.5 cents. In FY 2017 the federal government put up $1.85 billion for the state to spend $1.897 billion so the state's contribution was less than $50 million. This $1.85 billion represents new Medicaid expansion enrollees as well as switching non-elderly adults from other Medicaid programs to the Medicaid expansion program.[24]

[24] This model accounts for all Medicaid Expansion enrollees regardless of his or her previous enrollment in a Medicaid program. The model, however, does not allow for any budgetary savings by the state due to the fact that the FMAPs will be different for Medicaid Expansion as opposed to the previous program in which he or she were enrolled.

The economic impact of the federal input to Medicaid expansion expenditures for state fiscal year 2017 is illustrated in Table 7 with this economic impact to include overall business transactions, earnings, employment, and state and local tax collections related to the federal contribution to the Medicaid expansion program.

Table 7. Economic Impact of Federal Contribution to Medicaid Expansion Program in 2017 (all dollars in millions)

Type of Healthcare 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

Source: U.S. Department of Commerce, Regional Input-Output Multipliers, based on 2015 Regional Data

The key takeaway from Table 7 is that the economic ripples from the infusion of federal dollars into the Medicaid expansion program leads to net new state tax receipts being generated that offsets the state's expenditures and leaves a net revenue improvement of $55.7 million of state tax receipts after allowing for the state spending its share of the Medicaid expansion obligation. In addition, the infusion of federal dollars generates $74.6 million for local governments.

8. The total economic impact and budgetary affect includes the following parts:
    a. Additional Costs to State in state fiscal year 2017: $47.431 million
    b. Additional spending by Federal Government in Louisiana: $1.850 billion
    c. Gains from the Economic Impact of Federal Spending
        i. creating and supporting 19,195 jobs in sectors throughout the economy and across the state

ii. creating and supporting personal earnings of $1.118 billion throughout the economy and across the state
iii. enhancing state revenues by an estimated $103.2 million
iv. enhancing local revenues by an estimated $74.6 million across the state and political sub-divisions

9. In calendar 2018 the federal government will put up 94% so for state fiscal year the FMAP will average 94.5%; in calendar 2019 the federal government will put up 93% so the FMAP for state fiscal year 2019 will average 93.5%; and in 2020 the federal government will put up 90% so for fiscal year 2020, the FMAP will average 91.5%.

10. The above estimates take into account the transfer of Medicaid enrollees from other Medicaid programs in which the federal match was less than the 95% match in calendar 2017.

11. The earnings and jobs will not just be in the healthcare sector. About 50% of the jobs will be in the healthcare sector and the other jobs will be in trade, personal services, food services, arts and entertainment, and other such sectors that cater to individuals living in a community.

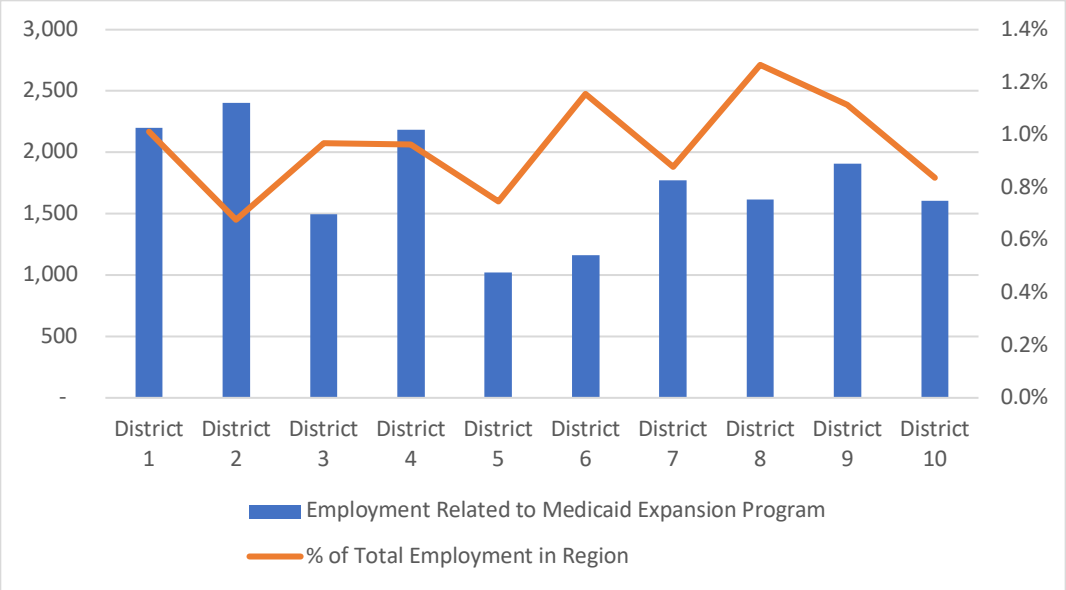
12. These earnings and jobs are also spread throughout the state as noted in Table 8 which provides the breakdown of earnings and jobs by district.

Table 8. Economic Impact of Medicaid Expansion in Various Regions of the State (Dollars in millions)

District	Personal Earnings	Employment	Local Tax Receipts
District 1 (New Orleans)	$141.0	2,202	$8.46
District 2 (Baton Rouge)	$154.4	2,405	$9.27
District 3 (Houma-Thibodaux)	$96.5	1,498	$5.79
District 4 (Lafayette)	$139.7	2,183	$8.38
District 5 (Lake Charles)	$65.4	1,021	$3.93
District 6 (Alexandria)	$75.0	1,162	$4.50
District 7 (Shreveport)	$115.5	1,774	$6.93
District 8 (Monroe)	$104.5	1,618	$6.27
District 9 (Northshore)	$123.0	1,910	$7.38
District 10 (Jefferson)	$103.4	1,605	$6.21
Louisiana	$1,118.6	19,195	$74.60

13. This economic impact will be felt around the state since healthcare is a state-wide activity as illustrated in Figure 7. Medicaid expansion employment ranges above 2,000 in three districts (New Orleans, Baton Rouge, and Lafayette); between 1,500 to 2,000 in four districts (Shreveport, Monroe, Northshore, and Jefferson); and, between 1,000 and 1,500 in three districts (Houma-Thibodaux, Lake Charles, and Alexandria). This employment related to the Medicaid expansion program represents about 1% of total employment throughout the state but represents slightly more in Alexandria and Monroe.

Figure 7. Employment Related to Medicaid Expansion Spending in Health Districts and % of Total Employment



14. The economic impact of the Medicaid expansion will continue as long as the state maintains the program and as long as no major changes are instituted by the federal government, either through acts of the U.S. Congress or regulatory decisions made by the Center for Medicare & Medicaid Services.

15. This economic and fiscal are already built into the employment and fiscal numbers for Louisiana.

Summary and Conclusions

Medicaid expansion provides health insurance for non-elderly adults with income less than 138% of the Federal Poverty Level with a 97.5% federal contribution for state fiscal year 2017, a 94% federal contribution in calendar year 2018, a 93% federal contribution in calendar year 2019, and a 90% federal contribution starting in calendar year 2020 and beyond assuming no further changes in Medicaid at the federal level. This large federal contribution represents an infusion of federal spending in Louisiana that would not have occurred if the state had not accepted Medicaid expansion as created in the Patient Responsibility and Affordable Care Act passed by the U.S. Congress in 2010. This federal infusion creates and sustains economic activity in the healthcare sector which then spreads over to all other sectors of the state's economy.

This economic stimulus will continue as long as the state continues to provide expanded Medicaid access and assuming there are no major changes made by the U.S. Congress. There are several important impacts that the state policy makers should be aware of:

(5) The estimated state tax receipts generated by the infusion of federal dollars exceeded the state dollars budgeted for the Medicaid expansion program by over $50 million and this does not include any net budgetary savings from moving participants from one Medicaid program to Medicaid expansion with the higher FMAP,

(6) The employment support is very important to the state since other sectors of the state's economy such as the oil and gas sector has been downsizing in Louisiana since 2014 due to global market conditions

(7) The economic impact associated with the Medicaid expansion program is spread across the state and will be sustained as long as Medicaid expansion is sustained, and

(8) Any resurgence in the Louisiana economy because of global and national markets or because of efforts by the state will not be deterred by the expansion in the healthcare industry given the variation in employment training and background.

These economic gains are in addition to the healthcare gains from people having appropriate healthcare throughout their adult life. Such healthcare can also positively affect 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 long-term results of the Medicaid expansion program. And rising labor force participation rates will allow for further employment growth in the state.