

**Medicaid Expansion
and the Louisiana Economy, 2018 and 2019**

Prepared for

Louisiana Department of Health*

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August 2019

*This study was funded by a grant from the Louisiana Department of Health in conjunction with the LSU Health Science Center. The study belongs to the Louisiana Department of Health and is not to be distributed without the permission of the Louisiana Department of Health.

Executive Summary: Medicaid Expansion and the Louisiana Economy

The economic impact of Medicaid Expansion in 2018 and 2019 can be summarized as follows:

- Medicaid Expansion was adopted in order to move to an insurance-based healthcare system for lower income non-elderly adults, many of whom were forced to utilize emergency care. The purpose was to improve the healthcare for lower income non-elderly adults;
 - As of March 2019, just over 505,000 persons had enrolled in the Medicaid Expansion program. Enrollment fell to 455,000 in June 2019 given changes in the eligibility verification process;
 - Expansion enrollment is larger than the increase in overall Medicaid enrollees which is reflective of the fact that non-elderly adults who had been on other Medicaid programs were able to switch to coverage under Medicaid Expansion program due to a more favorable FMAP for the state;
 - The state's uninsured rate for non-elderly adults has declined from 18% in 2015 to 13% in 2018. Louisiana's 13% uninsured rate is almost even with the national uninsured rate;
 - The state now receives approximately \$1.7 to \$1.8 billion annually in federal support related to Medicaid Expansion which is above and beyond what it had received prior to Expansion and accounting for any prior federal spending that had supported other Medicaid programs for non-elderly adults and for transfers from the federal market exchange program. This support is expected to continue as long as there are no major policy changes by the federal government or state government.
 - While the intent of Medicaid Expansion was to improve healthcare for non-elderly adults, a side effect is an expected positive impact on the overall economy;
 - This continuing input of federal healthcare spending in the state maintains and supports approximately 14,000 jobs across local economies, with approximately 6,000 of these jobs located in the healthcare sector;
 - An infusion of net new federal money has a positive impact on the economy, but this positive impact, even after accounting for federal dollars that have simply been replaced by the program, can be moderated by other factors such as economic conditions in the various health districts; excess service capacity in a regional or local healthcare sector; or the provision of healthcare services by entities such as nonprofits, religious organizations, or familial support that cannot readily be identified.
- After three years, Medicaid Expansion is now an established component of the healthcare system for lower income families in Louisiana, and federal spending related to the program is an integral part of healthcare spending in the State.
- Last, the overall impact of new federal spending on the state and regional economies will continue as long as the state continues the Medicaid Expansion program and as long as no major policy changes occur at the federal level in terms of financial support for the program. The cost to the state will increase as the FMAP gradually declines to 90%.

Medicaid Expansion and the Louisiana Economy

The Patient Protection and Affordable Care Act in 2010 (ACA) included provisions to provide healthcare insurance coverage to non-elderly adults making less than 138% of the Federal Poverty Level (FPL).¹ One provision, which will be referred to as the Medicaid Expansion program, includes federal spending arrangements and healthcare access policies that could have economic impacts beyond the direct investment in affordable healthcare. The ACA also introduced another provision that allows non-elderly adults with income below 400% FPL to get federally subsidized insurance through the market exchange program. This provision allows persons making between 100% and 138% FPL to apply for the federally subsidized insurance with these subsidies including advanced premium tax credits and, in some cases, cost recoveries for deductibles and other terms of an insurance policy. Both of these alternatives provide new federal spending in a state.

We examined the economic impact of Medicaid Expansion on the Louisiana economy, now in its third year, with special attention to State Fiscal Year 2018. The program had an initial impact in State Fiscal Year 2017 when new federal dollars entered the state's economy. The state is now in a maintain and sustain posture—that is, we are not talking about creating new jobs or new economic activity, but rather we are focusing on what is being maintained and sustained. Starting with a description of what has occurred in terms of additional healthcare spending by the state, we will provide estimates of what might be expected to occur in the overall economy using a commonly-used model of economic effects, but taking into account all federal spending that was offset or possibly offset due to Medicaid Expansion. We emphasize that Medicaid Expansion is one part of a large state economy and no one can assume that other activities are not ongoing as well that may deter the growth of the economy or accelerate it.

Medicaid Expansion is not an economic development program. It is a healthcare program, but, like most public programs, there are side-effects. In this case, Medicaid Expansion is expected to lead to new federal dollars into the state's economy, but we have a much clearer view of federal dollars that were offset due to Medicaid Expansion. The focus has to be on the net change in Medicaid Expansion dollars, not just the gross change as we examine and identify its economic impact.

Medicaid Expansion and the Economy: A Description

The federal government provided a financial incentive for states to adopt Medicaid Expansion through a relatively more favorable federal medical assistance percentage (FMAP) for non-elderly adults. The FMAP started at 100% from calendar 2014 through calendar 2016 and declines to 90% in calendar year 2020 meaning the federal government put up 100% of the cost of the Medicaid Expansion program from 2014 through 2016 and will put up 90% of the cost of the program as of January 2020. As currently designed, when the FMAP for Medicaid Expansion declines to 90% Louisiana will receive 90 cents from the federal government for every \$1 it

¹ Prior to the Affordable Care Act, non-elderly adults could qualify under special programs such as being a parent in a single parent household and meeting certain income criteria, being in New Orleans after Katrina with certain income limitations, and other such special programs.

spends on qualified expenses for individuals receiving coverage under the Medicaid Expansion program, roughly one-third higher than the 66.9% federal match for those receiving care under traditional Medicaid programs.

In SFY 2017, Louisiana received an estimated \$1.85 billion in federal matching dollars through the Medicaid Expansion program, in excess of what the state received for non-elderly adults under other Medicaid programs, but not excluding any federal support through the market exchange program in the first half of 2017. The state's financial responsibility for Medicaid Expansion in SFY 2017 was \$47.4 million.

In SFY 2018, the state received an estimated \$1.768 billion in federal support in excess of what the state would have received for non-elderly adults in other Medicaid programs. This estimate does include estimates of federal subsidies to individuals through the market exchange program. The state's financial responsibility for the receipt of this net new federal dollars of \$1.768 billion was an estimated \$128 million. The estimated federal support for non-elderly adults above and beyond what the state would have received for other Medicaid programs in SFY 2019, based on a continuation of the SFY 2018 spending pattern, is \$1.7 to \$1.8 billion with the state's financial responsibility being about \$133 million.

According to the ACA, non-elderly adults qualify for Medicaid if their household incomes are below 138% of the FPL. Family size, as well as income, is also a key component in measuring poverty. The 2019 schedule of the FPL at the 138% threshold divides incomes for the purposes of qualification by annual, monthly, bi-weekly, and weekly. For a family of four the annual income limit is \$35,544. This annual income limit ranges for a single person from \$17,244 to a family of eight to \$59,940. These income levels are published in the Federal Registry by the U.S. Department of Health and Human Services each year.

One of the key policy goals of Medicaid Expansion was to provide affordable healthcare options and to address the high rates of uninsured non-elderly adults. Consequently, Medicaid Expansion has affected the sources of health insurance coverage for adults under 138% of the FPL, as shown in Table 1. According to the Louisiana Health Insurance Survey, in 2015, approximately 981,063 non-elderly adults earned less than 138% FPL, over one-third of whom were uninsured. In 2017, approximately 826,622 non-elderly adults earned less than 138% FPL, 13.3% of whom were uninsured.² In 2015, 214,738 non-elderly adults earning less than 138% of the FPL were covered by Medicaid; by 2017, this number had risen to 356,430.

The number of persons uninsured with incomes less than 138% FPL declined by 217,659 from 2015 to 2017, and the number of persons who signed up for Medicaid Expansion increased by 141,692 persons. According to the LHSIS study the number of persons signing up for Medicaid Expansion did not equal the change in the number of persons who were uninsured. The number of persons earning less than 138% FPL declined by 154,441 from 2015 through 2017.

² 2017 Louisiana Health Insurance Survey, conducted by Louisiana State University and sponsored by the Louisiana Department of Health.

Table 1. Estimated Sources of Coverage for Non-elderly Adults Under 138% of FPL

Source of Coverage	2015	2017
Employer-Sponsored	180,523	140,376
Purchased	62,364	52,163
Former Employer	47,829	24,743
Not in Household	24,062	18,064
Medicare	90,606	102,936
Military	33,221	21,849
Medicaid	214,738	356,430
Uninsured	327,720	110,061
Total	981,063	826,622

Source: 2017 Louisiana Health Insurance Survey, sponsored by the Louisiana Department of Health.

Economic Role of Medicaid Expansion

The Medicaid Expansion program is a federal program in which a state can decide to participate or not to participate. A decision by a state to withhold participation in the program does not obviate the federal tax burden directly associated with its administration and implementation. Federal taxes that may affect Louisiana citizens (such as 0.9 percent Additional Medicare Tax on joint filers with wages exceeding \$250,000, \$125,000 for married taxpayers filing separately, and \$200,000 for all other taxpayers) are levied irrespective of the state's participation in Medicaid Expansion, as well as other provisions such as changes in itemized deductions for medical expenses.³

As noted above, we estimated that Louisiana received \$1.85 billion in SFY 2017, approximately \$1.77 billion in SFY 2018, and anticipate that the state will receive \$1.8 billion in SFY 2019 from the federal government to support its Medicaid Expansion program. The purpose of this study is to examine the economic impact of Medicaid Expansion in terms of jobs, earnings, and state and local tax receipts given. Medicaid Expansion represents about a \$1.77 billion, which is approximately 12% to 13% of all federal spending in the state.

An assessment of the overall economic impact of this injection of federal dollars into the Louisiana economy must account for the extent to which these dollars are indeed a new injection of federal spending in the state. First, some individuals now enrolled in Medicaid through the expansion program had previously received care through other Medicaid programs, which results in lower *net new* federal dollars for these individuals compared to a person who had previously received no healthcare assistance. Nevertheless, there is still an improvement in the federal contribution given the relatively high federal match of Medicaid Expansion. Second, persons earning between 100% and 138% FPL are eligible for advanced premium tax credits through the health insurance market exchange as well as reductions in co-payments and other charges based on income, age, and other factors (income being the most significant factor); thus, there is an

³ IRS, Affordable Care Act Tax Provisions.

opportunity cost to their participation in Medicaid Expansion. We have estimated this potential offset, which also reduces the extent to which these federal dollars paid through the Medicaid Expansion program can be considered net new. Third, other federal programs could be utilized to assist the state in caring for the uninsured, such as emergency management care, if a non-elderly adult required medical attention, which also includes some federal assistance that could be offset by the Medicaid Expansion program.

Given that each of these forces can moderate the economic impact of Medicaid Expansion on the state economy, we account for them so as to get a more accurate estimate of net new federal dollars spent in the state on healthcare services. We directly account for the use of federal dollars for non-elderly adults enrolled in Medicaid prior to Medicaid Expansion through previous enrollment estimates. We estimate the number of persons moving from the market exchange program to Medicaid Expansion by using the population that left the market exchange program from calendar 2016 to calendar 2018 according to Center for Medicare and Medicaid Services (CMS) actual counts of Healthcare Marketplace enrollees. We do not know if all who left the exchange program joined the Medicaid Expansion program. We are, for the purpose of this analysis, making that assumption since we would expect that persons who joined the exchange would want insurance and saw Medicaid Expansion as a more cost-effective program for them.

According to CMS persons earning in the less than 138% FPL and who had subsidized health insurance policies amounted to 84,807 in 2016 while by 2017 CMS recorded an estimated 38,561 persons in the less than 138% FPL who had market exchange insurance.⁴ This was a decline of 46,043. Those persons leaving the market exchange program continued in 2018 and another estimated 17,862 persons left the exchange program. In total we note that persons in the market exchange program declined from 84,807 in calendar 2016 to an estimated 20,700 in calendar 2018 in the 100% to 138% FPL or a reduction over the two calendar years being 63,904.

We also note that other payments for healthcare for lower-income families, such as the Disproportionate Share Hospitals Payments (DSH payments), have not diminished since Medicaid Expansion was accepted by the state. DSH payments increased from \$744 million in 2015 to an estimated \$771 million in 2018 according to the Louisiana Department of Health. In lieu of this, we do not estimate an offset by Medicaid Expansion of the DSH payment federal assistance.

Medicaid Expansion is not justified by the economic impact of the policy, as is the case for straightforward economic development policies. The intent of Medicaid Expansion is to provide healthcare services to those who otherwise would have trouble receiving them. Nevertheless, it is worth detailing the economic impact as a complementary outcome of the policy. An injection of approximately \$1.7 billion into the Louisiana economy will have an impact on the overall economy given that it was not just substituting one federal dollar for another federal dollar. Other

⁴ The 2016 data from CMS was for the income category 100% to 138% FPL while data for 2017 and 2018 were for 100% to 150% FPL. The 2017 and 2018 income categories of 100% to 138% FPL were adjusted by the 2016 actuals.

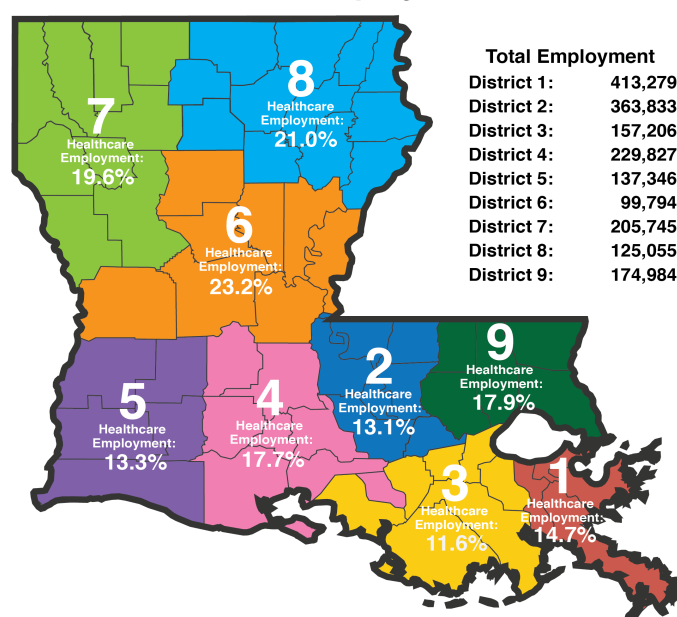
states that have accepted Medicaid Expansion have noted the economic impact of the program including Arkansas, Colorado, Kentucky, Michigan, Montana, and Pennsylvania.

Any spending of federal dollars that would otherwise not have been spent in the state, whether connected to disaster remediation, transportation, or healthcare, will have an economic impact on the state's economy.⁵ The key is to distinguish between dollars that would otherwise have been withheld, which requires us to determine the net new federal spending. Assuming that there are no major changes in the policy at either the federal or state level, we can view the federal spending as recurring. The new federal spending in the state will ultimately impact employment, earnings, and state and local tax receipts.

Healthcare Employment in Louisiana

Healthcare employment, as noted in Map 1, is a major component of the Louisiana economy, accounting for 10% to 25% of overall employment depending on the Health District. Furthermore, healthcare spending is spread throughout the state, so the impact of the spending affects all regions of the state. Healthcare employment is especially significant as a percent of total employment in central and northern Louisiana. This Map highlights the significance of healthcare employment throughout the state.

MAP 1: Total Employment in Health Districts & Percent Healthcare Employment, 2018



Source: Louisiana Workforce Commission, 2018

⁵ We have to be careful in indicating the net amount of federal dollars since Louisiana taxpayers are also contributing to the tax dollars being used by the federal government to provide a special program for the state.

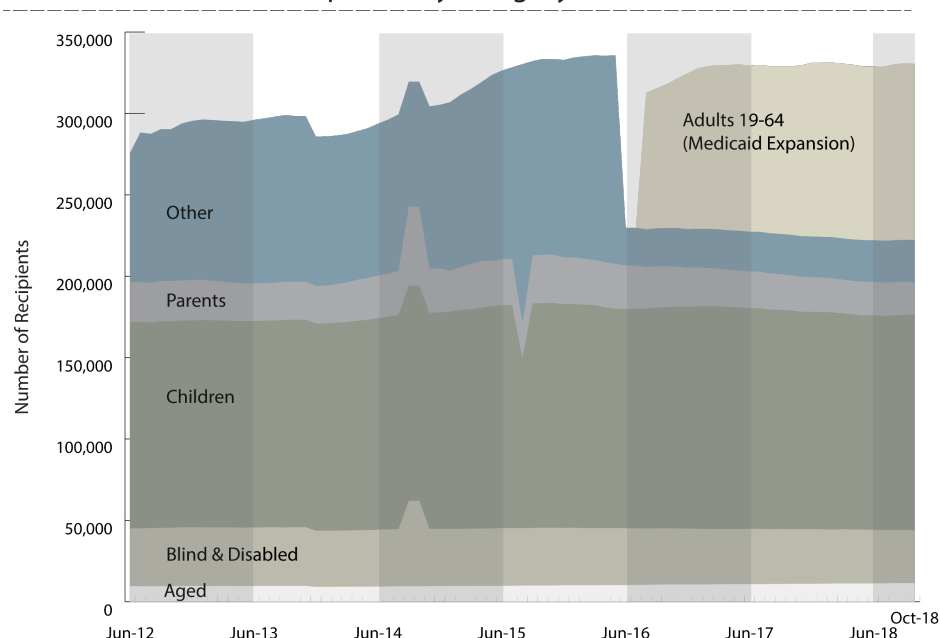
Medicaid Expansion Enrollment

Louisiana formally agreed to expand Medicaid coverage beginning in July of 2016 to include non-elderly adults with income of less than 138% FPL. In August 2016 there were approximately 300,000 new enrollees, due largely to the expanded qualifications of Medicaid Expansion and the ability of the Louisiana Department of Health to move qualified non-elderly adults from other Medicaid programs into Medicaid Expansion. This enrollment increase represented approximately 20% of all Medicaid enrollees. By October 2018, over 480,000 persons had enrolled through the Medicaid Expansion program, which accounts for approximately 30% of all Medicaid enrollees.⁶

As of March 2019, over 505,000 persons had enrolled in Medicaid through the Medicaid Expansion program, approximately 30.4% of all Medicaid enrollees. This number dropped to just under 455,000 as of June 2019 or about 29% of all Medicaid recipients. The changes in the Medicaid program and increases in the Medicaid Expansion program through October 2018, the most recent data parish by parish, are illustrated in Figures 2a through 2i (divided by Health District). These data show that the increase in non-elderly adults on Medicaid was not focused on the New Orleans district, but rather on the other eight health districts around the state.

Figure 2a. Medicaid and Medicaid Expansion Recipients, District 1 (New Orleans)

Number of Medicaid Recipients, by category, District 1



⁶ These Medicaid Expansion enrollees do not include any double counting from enrollees in different Medicaid classifications.

Figure 2b. Medicaid and Medicaid Expansion Recipients, District 2 (Baton Rouge)

Number of Medicaid Recipients, by category, District 2

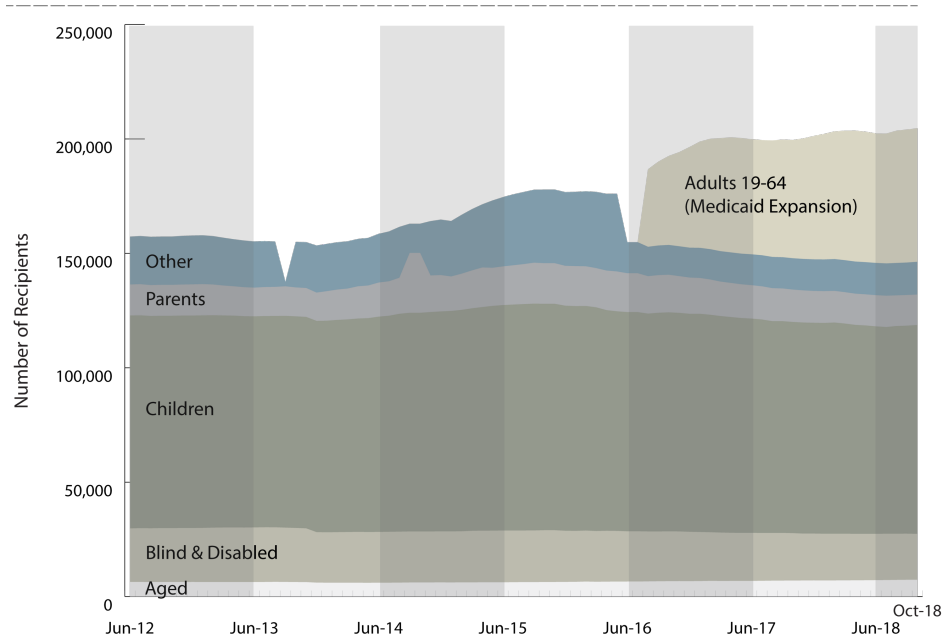


Figure 2c. Medicaid and Medicaid Expansion Recipients, District 3 (Houma)

Number of Medicaid Recipients, by category, District 3

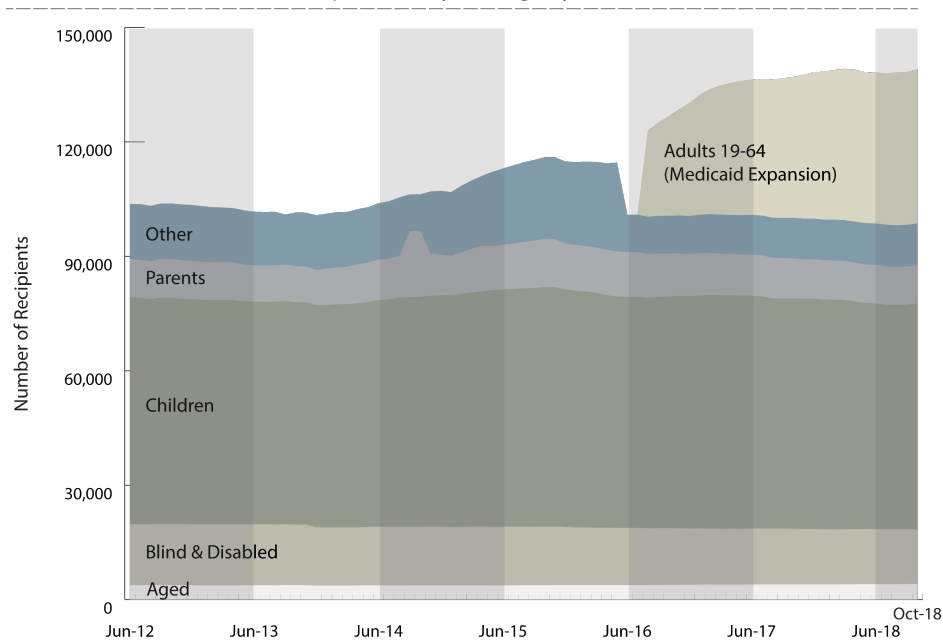


Figure 2d. Medicaid and Medicaid Expansion Recipients, District 4 (Lafayette)

Number of Medicaid Recipients, by category, District 4

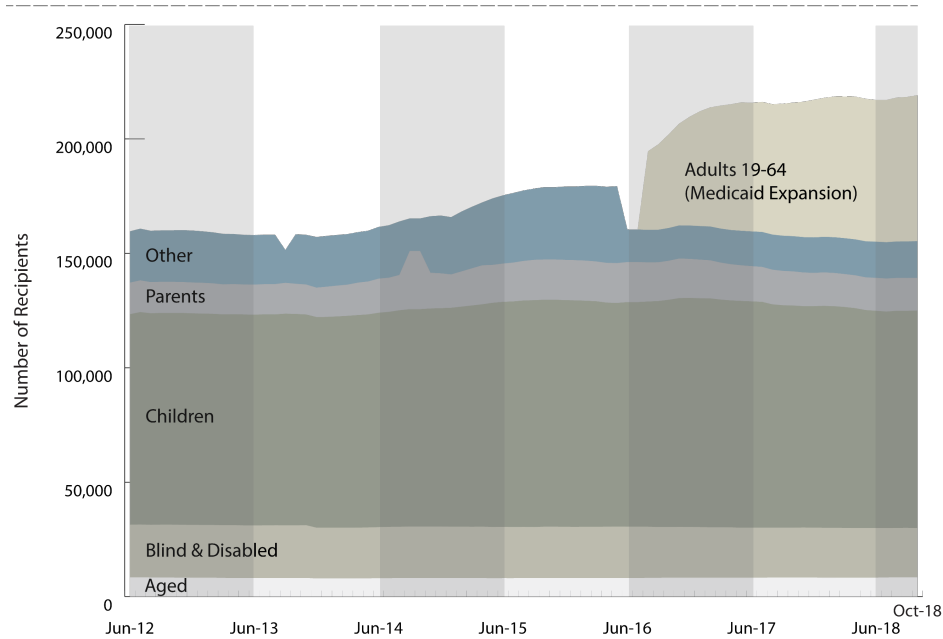


Figure 2e. Medicaid and Medicaid Expansion Recipients, District 5 (Lake Charles)

Number of Medicaid Recipients, by category, District 5

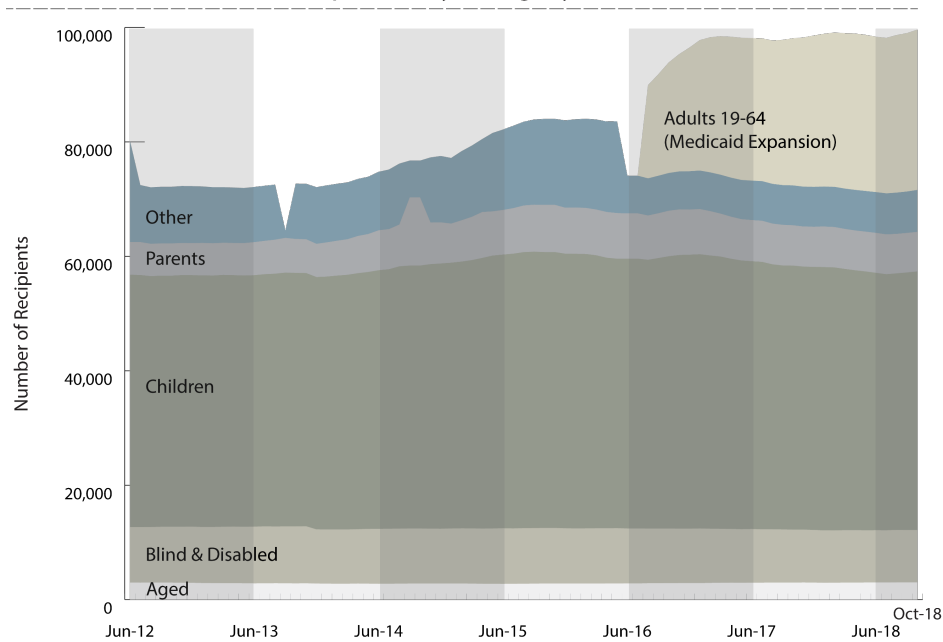


Figure 2f. Medicaid and Medicaid Expansion Recipients, District 6 (Alexandria)

Number of Medicaid Recipients, by category, District 6

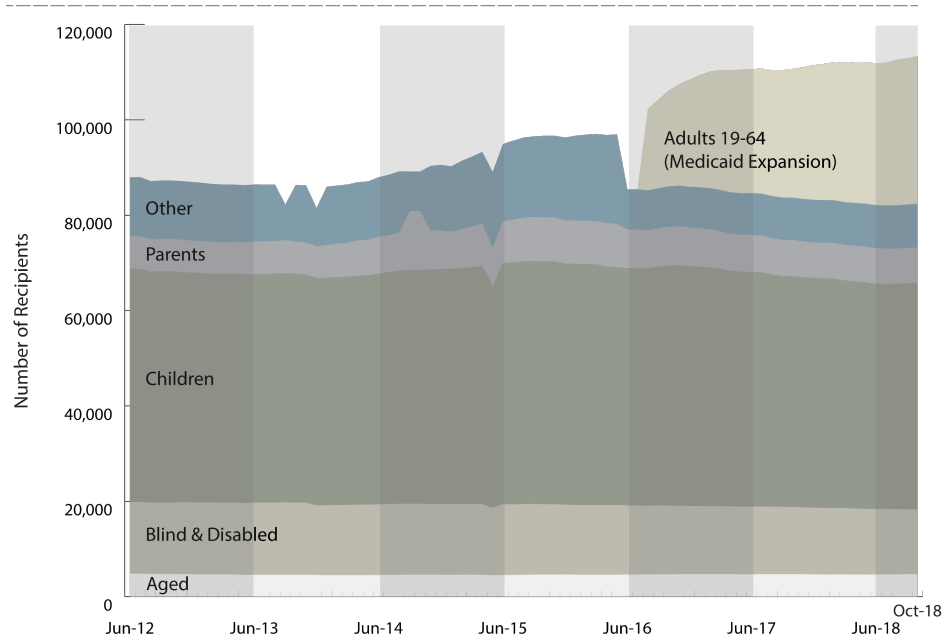


Figure 2g. Medicaid and Medicaid Expansion Recipients, District 7 (Shreveport)

Number of Medicaid Recipients, by category, District 7

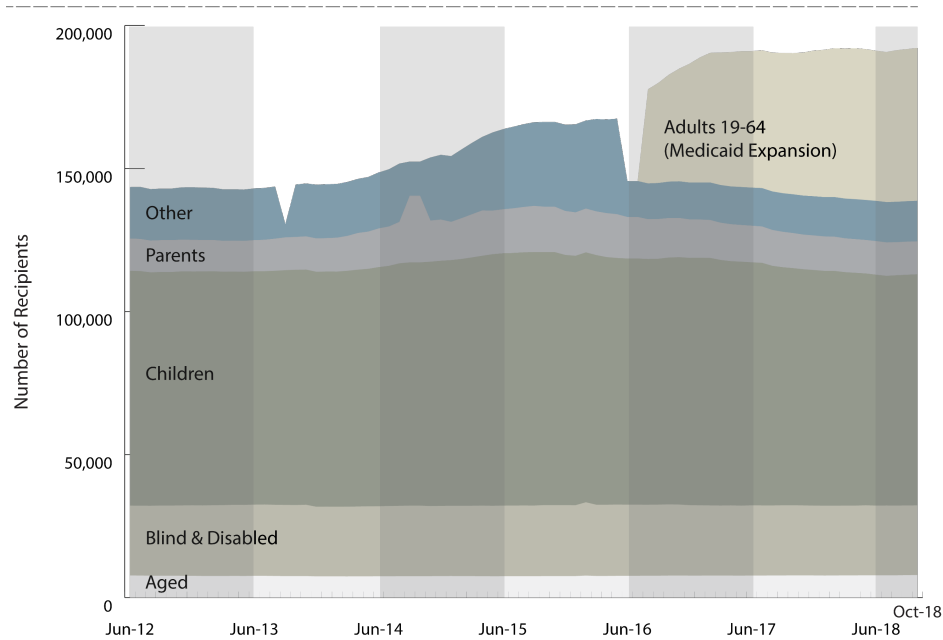


Figure 2h. Medicaid and Medicaid Expansion Recipients, District 8 (Monroe)

Number of Medicaid Recipients, by category, District 8

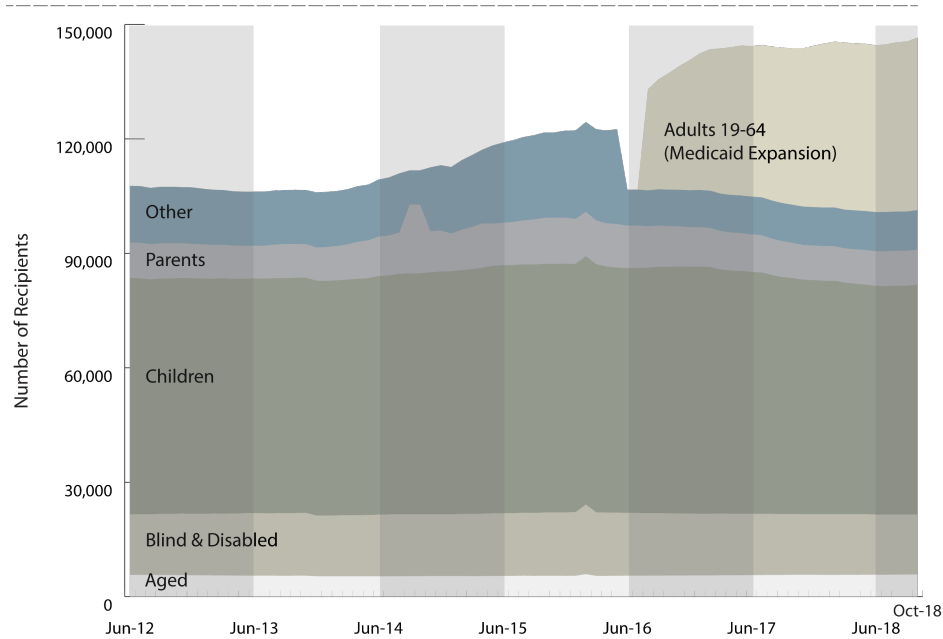
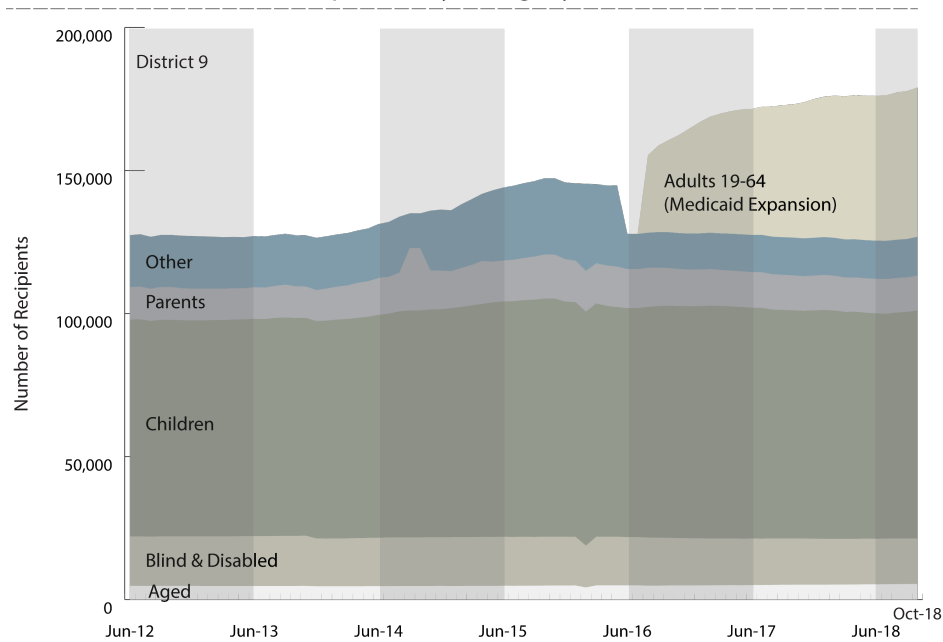


Figure 2i. Medicaid and Medicaid Expansion Recipients, District 9 (Northshore)

Number of Medicaid Recipients, by category, District 9



Source: Louisiana Department of Health

From May 2016 to October 2018, Medicaid enrollment in the state increased by 204,159 persons. During this period, enrollment through the Medicaid Expansion program increased by 480,739 persons. The fact that enrollment through Expansion exceeded increases in total enrollment verifies that some of those who opted into Medicaid Expansion did so from other programs in the Medicaid policy portfolio, especially Family Planning/Take Charge Program and GNOCHC. From August 2016 (the date in which the Medicaid Expansion enrollees had been fully documented) to March 2019 (the latest data we have on a statewide basis), the Medicaid Expansion program grew by about 6,806 persons per month.⁷ Those covered under Medicaid Expansion accounted for 30.4% of all Medicaid enrollees as of March 2019. During SFY 2017 the average monthly increase in Medicaid Expansion enrollment was 13,155; in SFY 2018 the average monthly increase in Medicaid Expansion enrollment had dropped to 3,530. From June 2018 through March 2019, the average monthly increase in Medicaid Expansion enrollees was 4,122.

Federal Spending in Louisiana by Health Districts Related to Medicaid Expansion for SFY 2018 and SFY 2019

Prior to the implementation of Medicaid Expansion, there were programs that included federal financial support of varying levels: Take Charge Plus, a \$13.532 million program (\$68.71 per enrollee) with a 94.5% FMAP for SFY 2018 and 93.5% FMAP for SFY 2019 had an enrollment decrease of 206,223 after Medicaid Expansion; Persons with Disabilities, a \$59.713 million program (\$15,319 per person) with a 68.6% FMAP, had an enrollment decrease of 5,671; and Pregnant Women, a \$105.081 million program (\$10,496 per person) with a 68.6% FMAP, had an enrollment decrease of 14,599. For an analysis of the effects of new dollars through Medicaid Expansion, the previous levels of spending and contributions from the federal government were netted out of the final inputs.

The ACA created an overlap for non-elderly adults earning between 100% and 138% of the FPL by making these individuals eligible for coverage under Medicaid Expansion and eligible for subsidies through a Health Marketplace Exchange.⁸ We accounted for projected transfers from the market exchange program to Medicaid Expansion. We did this using the latest CMS data exchange program enrollment and disenrollment by parish, which we converted to the nine health districts. We also increased the APTC by an average of 22% to account for estimated rising premium costs and cost-sharing-reductions according to the Congressional Budget Office.⁹ Enrollment through the market exchange in Louisiana has declined since the initiation of Medicaid Expansion in 2016. The majority of the reduction has been in the enrollment by

⁷ The number of monthly enrollees is expected to fluctuate over the next several months as a new administrative system introduced in November 2018 goes into effect and wage checks introduced in 2019 through the Louisiana Workforce Commission to monitor the eligibility of enrolled persons on a quarterly basis is implemented. Medicaid Expansion enrollment as of June 2019 is around 455,000 based on a current review of enrollee qualifications.

⁸ "The Affordable Care Act: Medicaid Expansion & Healthcare Exchanges," American Academy of Family Physicians.

⁹ Congressional Budget Office, **Federal Subsidies for Health Insurance Coverage for People Under Age 65: 2019-2029.**

persons with household incomes below 150 percent of FPL. According to the Kaiser Family Foundation, Louisiana had 214,148 individuals signed up for the exchange in 2016, 143,577 in 2017, 109,855 in 2018, and 92,948 in 2019. According to the CMS Issuer-Data-Final in 2016 there were 84,807 persons in the market exchange program with 138% or less FPL and in 2017 there were an estimated 38,561 for a reduction of 46,246.

In Table 2 we present, by health districts, net federal expenditures for Medicaid Expansion for SFY 2018. Net federal expenditures are defined as total federal expenditures for Medicaid Expansion less any Medicaid or other federal support previously received by non-elderly adults now eligible for Medicaid Expansion. Offsets include other Medicaid programs and subsidies through the market exchange program. Of this total, roughly 40% (\$690.0 million) of expenditures went to hospitals for inpatient and outpatient care, 25 percent (\$436.0 million) of expenditures went to physicians, professional visits, and medical assistance, 18 percent (\$317 million) to pharmacy and prescriptions, 4 percent (\$69 million) for other healthcare services, and 12 percent (\$258.2 million) for administration. Federal Medicaid Expansion payments for SFY 2019 are estimated to be similar to payments in SFY 2018.

Table 2. Net Federal Expenditures for Medicaid Expansion in Louisiana (millions of dollars)

Health Districts	Hospitals Inpatient	Outpatient and Other Services	Pharmacy	Physicians and Other Professionals	Other Medical Services	Total Payments for Medical Expansion
District 1	\$66.44	\$45.72	\$63.67	\$74.11	\$9.32	\$259.26
District 2	\$72.29	\$40.52	\$49.46	\$56.87	\$9.50	\$228.64
District 3	\$35.28	\$27.82	\$30.86	\$40.18	\$6.97	\$141.11
District 4	\$57.77	\$41.20	\$44.27	\$61.66	\$11.09	\$215.98
District 5	\$18.07	\$10.27	\$10.95	\$16.70	\$3.28	\$59.27
District 6	\$28.51	\$18.23	\$19.12	\$31.39	\$5.55	\$102.81
District 7	\$44.72	\$29.98	\$29.39	\$51.62	\$6.68	\$162.40
District 8	\$35.54	\$24.26	\$26.51	\$46.63	\$7.61	\$140.55
District 9	\$52.11	\$38.26	\$42.62	\$57.61	\$9.46	\$200.07
Administration	\$0.0	\$0.0	\$0.0	\$0.0	\$258.2	\$258.2
Total	\$410.7	\$276.3	\$316.9	\$436.8	\$327.6	\$1,768.3 **

*summation of Other Medical Services only.

**includes all payments for healthcare services and administration

From SFY 2016 to SFY 2017 the LDH budget increased by \$2.376 billion with federal contributions increasing by \$2.0 billion. During the state fiscal years in which the Medicaid Expansion program has been implemented (SFY 2016 to SFY 2019), the LDH budget has increased by \$4.53 billion with federal contributions accounting for \$3.576 billion (roughly 79%) of that increase. With the FMAP soon reaching the permanent level of 90%, and Medicaid

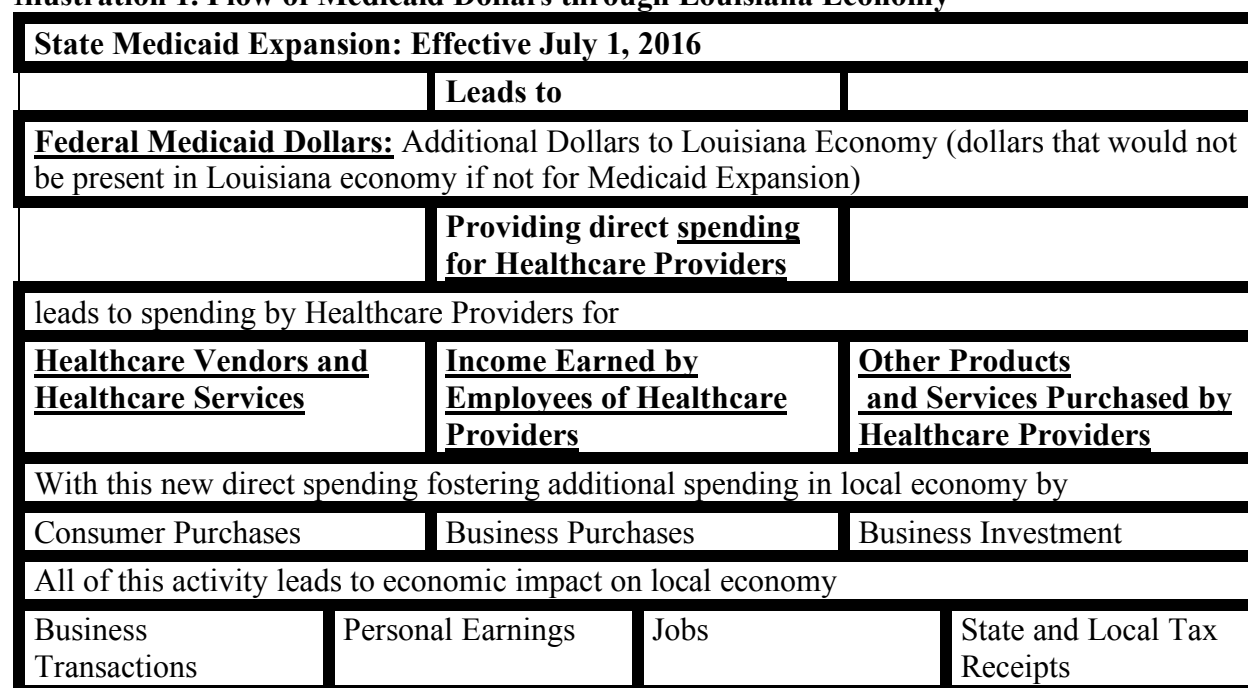
Expansion an established part of the LDH budget, major budgetary changes in future state fiscal years are unlikely. In the next section, we will discuss the potential impact of this added spending from the federal government on healthcare services across the state.

Medicaid Expansion and the Economy: What We Might Expect to Occur

The Medicaid Expansion program is not an economic development program, but it can serve as an ongoing economic input given the more favorable FMAP, the substantial increase in federal funding for healthcare in the state and the potential for increased healthcare services provided to state residents. The implementation of Medicaid Expansion brings federal dollars to the state that would otherwise be unavailable. Based on the calculations discussed in the previous section, where we estimate the net new federal spending, we use an estimate of about \$1.77 billion in net federal funding for healthcare in Louisiana to measure the potential economic impact.

The Kaiser Family Foundation summarized the economic impact of Medicaid spending, shown in Illustration 1, which applies to both the Medicaid Expansion program and the established Medicaid programs.¹⁰ This model is also outlined in a 2013 study by the Urban Institute.¹¹ The model is only applicable as a measure of impact on state economies. It does not apply to any national assessment of the ACA or any other national healthcare program.

Illustration 1. Flow of Medicaid Dollars through Louisiana Economy



¹⁰ *The Role of Medicaid in State Economies: A Look at the Research, Executive Summary*, Kaiser Family Foundation, January 2009.

¹¹ *Medicaid Expansion Under the ACA: How States Analyze the Fiscal and Economic Trade-offs*, Urban Institute, June 2013,

In its simplest form, federal dollars related to Medicaid Expansion are directly expended in the healthcare sector. This increased spending can prompt complementary spending from the providers to relevant vendors, entails payments to employees of the healthcare providers, and indirectly spurs payments to employees of the vendors. Employees, vendors, and providers of healthcare services then participate in a secondary and even tertiary level of spending, which has its own effects. The impact of the dollars from the federal government has a direct impact on the healthcare community and its vendors and employees but also has an indirect impact on grocery stores, service stations, personal and business services, and state and local governments. The net new federal dollars go directly for healthcare services, but the economic ripples go well beyond just the healthcare sector.

Additional spending on healthcare is more complicated to analyze than, say, construction spending on a new building by an outside investor or by the federal government. The healthcare sector could have over-expanded in certain areas so any new healthcare spending merely makes use of the excess capacity. A person could have been receiving assistance from a family member, a religious organization, a nonprofit, or some other such organization or a person could have been on an employer-sponsored health plan or the healthcare facility provided the service without charge, but the federal dollars allow these dollars to be used for other purposes. The federal spending may, in the cases noted above, be replacing healthcare spending for some low income non-elderly adults, but this allows new spending in other sectors of the state's economy. The federal spending will in these cases be substituting for other sources of healthcare spending; however, these dollars that were once spent on healthcare can be focused on other projects. These federal dollars may not always lead to additional jobs in the healthcare sector. All of these possibilities are "common-sense" suggestions. We cannot document the possibilities as noted above, but they all serve as reasons why estimating the economic impact of net new healthcare spending is much more complicated than focusing on a major construction project.

Estimated Impact of Medicaid Expansion on State and District Economies

The estimated economic impact for SFY 2018 and estimates for SFY 2019 associated with the estimated net new federal spending are based on an input-output analysis and follows up the economic impact estimated for SFY 2017.¹² Certain conditions should be noted with this measurement of the estimated economic impact.

First, the additional federal spending in Louisiana is recurring so the economic impact will be sustained as long as ACA remains federal policy and the state chooses to participate. Employment will be maintained by the sustained spending once it has been established, but it should not be expected to increase each year. An input-output model provides an estimate of the economic effects of net new spending on other industries in the state, such as retail, personal and business services, construction, and other industries

Second, the model assumes that direct spending by the federal government on Medicaid Expansion serves as the catalyst for other spending in the economy as noted in Illustration 1. The

¹² **Medicaid Expansion and the Louisiana Economy**, prepared by the Louisiana Department of Health, March 2018.

healthcare industry will buy from and sell to many firms in the state and the employees of the healthcare entities will spend their dollars at retail stores, gas stations, recreational places, and other establishments. Thus, federal spending initiates a series of spending decisions by other persons in the economy. This chain-reaction is sometimes referred to as the multiplier effect.

Third, the input/output model, by itself, does not incorporate the substitution Medicaid Expansion spending for other types of healthcare spending that were already occurring through other state or non-state entities. These are changes for which we have to be aware and for which we must account. The substitutions will become more evident over time as individuals and organizations become aware of the Medicaid Expansion program.

Fourth, the substitution of Medicaid Expansion for other types of Medicaid spending with lower FMAPs is incorporated into the calculation of new federal spending and the substitution of other types of federal programs, such as the market exchange for a defined group of Medicaid Expansion participants, is approximated. The use of other federal/state programs, such as emergency care by individuals who have now signed up for Medicaid Expansion, is not well documented and we note that DSH payments have not diminished in the last several years. The substitution of other healthcare assistance through private or nonprofit organizations is more difficult to quantify.

Fifth, the estimates of the multiplier effect are based upon input-output (I/O) models provided by the U.S. Bureau of Economic Analysis (BEA). The input/output model describes the interaction among all industries in a defined geographic area. In our analysis, we defined each health district as a separate geographic area. The I/O model for a geographic area models the flow of goods and services in the economy within the designated geographic area in a given year. These models, typically referred to as RIMS II models, are used to gauge the economic impact associated with certain events ranging from a new industry opening up or a new infusion of outside support. We created I/O tables for each of Louisiana's nine health districts to estimate the impact of federal healthcare spending resulting from Medicaid Expansion.

Sixth, for this analysis we worked with input-output models for each health district, as opposed to using one model for the entire state in order to capture variation around the state. The regional multipliers provide estimates of economic impact based on the regional economy.

The first step in making use of the input-output model is to identify net new spending, which serves as the primary input. For SFY 2018, new federal spending related to Medicaid Expansion (shown above in Table 2) serve as the inputs for estimating the economic impacts by health districts shown in Table 3.

Table 3. Estimated Economic Impact of Medicaid Expansion by Health Districts for SFY 2018 (millions of dollars for categories measured in dollars)

Health Districts	Personal Earnings	Employment	State Tax Receipts	Local Tax Receipts
District 1 (New Orleans)	\$137.8	2,101	\$11.4	\$8.3
District 2 (Baton Rouge)	\$128.4	1,841	\$10.7	\$7.7
District 3 (Houma-Thibodaux)	\$77.2	980	\$6.4	\$4.6
District 4 (Lafayette)	\$132.5	1,912	\$11.0	\$7.9
District 5 (Lake Charles)	\$31.9	457	\$2.6	\$1.9
District 6 (Alexandria)	\$55.8	787	\$4.6	\$3.3
District 7 (Shreveport-Bossier)	\$100.5	1,490	\$8.3	\$6.0
District 8 (Monroe)	\$88.5	1,266	\$7.3	\$5.3
District 9 (Northshore)	\$136.4	1,664	\$11.3	\$8.2
State*	\$889.0	14,263	\$83.8	\$60.6

*State includes Administration expenditures.

The economic gains from the federal spending on Medicaid Expansion for SFY 2018 are summarized as follows:

- Maintain and/or support 14,263 jobs across the state and across different economic sectors
- Maintain and/or support \$889.0 million in personal earnings
- Maintain and/or support \$83.8 million in state tax receipts
- Maintain and/or support \$60.6 million in local tax receipts.

We use the words “maintain and support” since this is an ongoing program. The input-output model provides an estimate of the jobs necessary to accommodate the direct spending on healthcare. It is possible that healthcare professionals delivered some of these services before the expansion of the Medicaid program. In this case, the federal dollars will replace other dollars that were already being used to finance healthcare programs for lower income individuals. The federal dollars used to support healthcare spending can free up resources that had been focused on healthcare services for use in other spending categories

Overall, the input-output analysis provides an estimate of the economic role of federal Medicaid Expansion spending under the assumption that this spending takes place in the healthcare sector and does not replace or offset private or nonprofit spending for healthcare services for lower income persons. We estimated that about 6,000 of the 14,263 jobs would be directly in the healthcare sector.

Ideally, we would compare overall healthcare spending in the state, including state and all other healthcare spending, over the last six years to determine how spending has changed in conjunction with the Medicaid Expansion spending and the new federal support for this program.

However, historical data on overall healthcare spending the state level, as provided by the Center for Medicare and Medicaid Services, is current only up to 2014. The economic model provides an estimate of the role of Medicaid Expansion in lieu of the comparative healthcare spending across the state.

Medicaid Expansion as of State Fiscal 2019

The provision of Medicaid coverage in Louisiana as of 2019 can be summarized as follows:

- As of March 2019, over 505,000 non-elderly adults had taken advantage of the Medicaid Expansion program. This number is larger than the increase in total Medicaid enrollees which is reflective of the fact that non-elderly adults who had been on other Medicaid programs were able to switch to the Medicaid expansion program with a more favorable FMAP;
- By June 2019 the Medicaid Expansion enrollees had declined to just over 455,000 given changes in eligibility verification;
- The state uninsured rate for non-elderly adults has decreased over the last several years from 18% to 13% which is in line with the national uninsured rate for non-elderly adults;
- The state now receives approximately \$1.7 to \$1.8 billion annually in federal support related to Medicaid Expansion which is above and beyond what it had received prior to expansion after allowing for any federal dollars had already supported any other Medicaid programs for non-elderly adults and for any transfers from the market exchange program. This support is expected to continue as long as there are no major policy changes by the federal government or state government. The purpose of Medicaid Expansion was to improve the healthcare for non-elderly adults. A side effect is possibly a positive impact on the overall economy;
- This continuing input into the economy maintains and supports approximately 14,000 jobs in the local economies with around 6,000 of these jobs residing in the healthcare sector;
- An infusion of net new federal money has a positive impact on the economy, but this positive impact, even after accounting for federal dollars that have simply been replaced by the program, can be moderated by other factors such as economic conditions in the various health districts; excess service capacity in a regional or local healthcare sector; or the provision of healthcare services prior to Medicaid Expansion by entities such as nonprofits, religious organizations, or just family entities that cannot easily be identified.
- After three years Medicaid Expansion is an ongoing part of the healthcare system for lower income families. The federal dollars are an integral part of the healthcare spending, both private and public. Jobs are now being maintained and supported.
- The cost of Medicaid Expansion will increase for the state as the FMAP gradually declines to 90%.

The economic impact of the Medicaid Expansion program will continue as long as the state maintains the program and as long as there are no major policy changes at the federal level. However, to fully assess the impact of Medicaid Expansion on the economy will require a more nuanced and granular examination of the overall healthcare environment in each health district.