



Louisiana Budget Project

PROVIDING INDEPENDENT,
NONPARTISAN research and analysis
of Louisiana fiscal issues and their
impact on low and moderate
income residents.

MEDICAID SPENDING SUPPORTS JOB GROWTH

By: Steve Spires

A recent [report](#) issued by the Louisiana Hospital Association (LHA) looks at the important role hospitals play in Louisiana's economy as job creators and supporters of local economies. One of the other major findings in the report also highlights the importance of Medicaid to not only Louisiana's health care system, but to the state's economy as well.

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Medicaid is the joint state-federal program that provides health care for low-income children, pregnant women, the elderly and disabled. Around 1.2 million Louisianans—more than a quarter of the state's population—are currently enrolled in Medicaid. The program made more than \$5.5 billion in payments to public and private providers—including hospitals, doctors, nursing homes, and pharmacies—in FY10 to pay for the health care of enrollees, and another \$825 million in payments to hospitals that care for large numbers of uninsured patients.

While the primary intent of the Medicaid program is to provide health-care services to low-income Louisianans, a body of research has shown that it has the added virtue of supporting economic growth and creating thousand of good paying jobs—a conclusion that was confirmed yet again in last week's LHA report, which called Medicaid a “net engine of economic development” for Louisiana.

The LHA paper found that Medicaid payments make up nearly 20 percent of all hospital revenues in Louisiana, but more importantly, that “Medicaid-related expenditures lead to the creation of 47,483 jobs with personal earnings of \$1.8 billion.” That comes out to average earnings of \$37,908 a year for each job created. It is also worth noting that during the recession, the health care sector has been the only part of the state's economy to consistently add jobs.

(Note: these numbers only apply to hospitals, and therefore do not include the economic impacts of Medicaid expenditures made to other providers. If the report accounted for all Medicaid expenditures, the number of jobs created and earnings generated would undoubtedly be higher.)

The LHA report also estimated the number of Medicaid-supported jobs in hospitals in each of the nine regions set up by Department of Health and Hospitals (DHH), showing the importance of Medicaid in local economies in every part of the state:

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DHH State Regions	Jobs Created	Personal Earnings
Region 1—New Orleans Area	12,645	\$483 million
Region 2—Baton Rouge Area	6,494	\$248.1 million
Region 3—Houma-Thibodaux Area	1,843	\$70.4 million
Region 4—Lafayette Area	6,973	\$266.4 million
Region 5—Lake Charles Area	4,053	\$154.8 million
Region 6—Alexandria Area	6,512	\$248.8 million
Region 7—Shreveport Area	3,221	\$123 million
Region 8—Monroe Area	3,179	\$121.4 million
Region 9—Northshore Area	2,564	\$97.9 million
Total	47,483	\$1.814 billion

Source: Table recreated from LHA report

What makes Medicaid so effective at creating jobs is its unique federal-state financing system. For every one dollar the state spends on Medicaid, the federal government “matches” around \$2.25, for a total of \$3.25 in total Medicaid spending. This year, the federal government will pay for close to 70 percent of Louisiana’s Medicaid program. Economists across the ideological spectrum agree that outside money coming into a state is a crucial ingredient for strong economic growth, and federal Medicaid match money is a constant and significant source of outside money for Louisiana’s economy.

Clearly, cuts to Medicaid would not only adversely affect the hundreds of thousands of people who rely on the program for health care, but would actually harm the state’s economy by cutting a proven and effective catalyst for economic growth and job creation.

Last week’s LHA paper shows that the state needs to strengthen its Medicaid program—not cut it—despite current fiscal challenges.

The [paper](#) was written for the LHA by LSU economics professor Dr. James Richardson, assisted by Roy L. Heidelberg, and focused on the significant economic impacts of hospitals and the health care sector in Louisiana’s economy.