



Hospitals and the Louisiana Economy

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July 2007

Prepared for the
Louisiana Hospital
Association

We would like to thank the following 93 hospitals for participating in the Economic Impact Survey:

Abbeville General Hospital
Acadian Medical Center
Allen Parish Hospital
American Legion Hospital
Avoyelles Hospital
Baton Rouge General Medical Center
Beauregard Memorial Hospital
Bogalusa Medical Center
Brentwood Hospital
Bunkie General Hospital
Children's Hospital
CHRISTUS Schumpert Health System
CHRISTUS St. Patrick Hospital
Compass Behavioral Center
Crowley Rehabilitation Hospital
Dauterive Hospital
Dubuis Hospital of Alexandria
Dubuis Hospital of Lake Charles
Dubuis Hospital of Shreveport
Earl K. Long Regional Medical Center
East Jefferson General Hospital
Eastern LA Mental Health System
Fairway Medical Center
Gulf States LTAC - Bogalusa
Gulf States LTAC - Covington
Gulf States LTAC - Denham Springs
Gulf States LTAC - Feliciana
Gulf States LTAC - Hammond
Gulf States LTAC - Morgan City
Gulf States LTAC - Slidell
Heart Hospital of Lafayette
Homer Memorial Hospital
Huey P. Long Regional Medical Center
Iberia Medical Center
Iberia Rehabilitation Hospital
Jennings American Legion Hospital
Jennings Senior Care Hospital
Kindred Hospital - New Orleans
Lafayette General Medical Center
Lake Charles Memorial Hospital
Lakeview Regional Medical Center
Lallie Kemp Regional Medical Center
Lane Regional Medical Center
LaPlace Rehabilitation Hospital
LaSalle General Hospital
Leonard J. Chabert Medical Center
Lincoln General Hospital
Meadowbrook Specialty Hospital of Lafayette
Medical Center of Louisiana at New Orleans
Minden Medical Center
Morehouse General Hospital
Natchitoches Regional Medical Center
North Caddo Medical Center
North Oaks Medical Center
North Shore Regional Medical Center
Ochsner - St. Anne General Hospital
Ochsner - Baptist Medical Center
Ochsner Foundation Hospital
Ochsner Medical Center - Baton Rouge
Ochsner Medical Center - Kenner
Ochsner Medical Center - West Bank
Opelousas General Hospital
Our Lady of Lourdes Regional Medical Center
Our Lady of the Lake Regional Medical Center
Pointe Coupee General Hospital
Prevost Memorial Hospital
Promise Hospital of Ascension
Rapides Regional Medical Center
River Oaks Hospital
River Parishes Hospital
Riverside Medical Center
Sabine Medical Center
Slidell Memorial Hospital
Southwest Medical Center
St. Anne Rehabilitation Hospital
St. Charles Parish Hospital
St. Elizabeth Hospital
St. Francis North Hospital
St. Francis Medical Center
St. Tammany Parish Hospital
Terrebonne General Medical Center
Thibodaux Regional Medical Center
Touro Infirmary
Tulane University Hospital & Clinic
Union General Hospital
University Medical Center
Villa Feliciana Medical Complex
W.O. Moss Regional Medical Center
West Feliciana Parish Hospital
West Jefferson Medical Center
Winn Parish Medical Center
Woman's Hospital
Women's & Children's Hospital

Hospitals and the Louisiana Economy, 2007

**Prepared for the
Louisiana Hospital Association
Baton Rouge, Louisiana**

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March 2007

***Dr. Richardson is solely responsible for the facts, findings and conclusions presented in this report.**

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I. INTRODUCTION

The Louisiana healthcare sector provides a range of healthcare services to people of Louisiana. The ultimate purpose of the healthcare sector is to provide appropriate and necessary medical services to enhance the quality of life of the citizens of Louisiana. In providing these medical services, the healthcare sector becomes a significant economic support engine within the state. This report focuses on the economic significance of hospitals in Louisiana and within local communities within the state, including both metropolitan areas and rural sections of the state. The report also illustrates the significance of hospitals within each Congressional District.

Hurricanes Katrina and Rita affected the ability of certain healthcare groups to carry out their healthcare mission for a period of time, including causing hospitals in the affected area to close temporarily. In the New Orleans area, some hospitals have not been able to re-open because of physical damage and/or market conditions. The storms, however, magnified the significance of healthcare providers, both as a provider of an essential service that is absolutely necessary for the development of a modern community and as a significant economic agent within the community.

Hospitals are created to serve the people in a community; therefore they do not lead the economic development process. This supportive role has been clearly enumerated by the lack of healthcare services in certain communities because of Hurricanes Katrina and Rita. As a community develops, hospitals in the region hire trained personnel to deliver medical services. Hospitals also develop commercial relationships; therefore becoming an economic agent.

II. HEALTHCARE AND HOSPITALS COMPARED TO OTHER INDUSTRIES WITHIN THE STATE

In the most recent (2004) national, state and parish data issued by the U.S. Census Bureau, 259,968 persons were employed in the healthcare sector in Louisiana with an annual payroll of \$7.852 billion.¹ Employment in the healthcare sector has grown from 234,842 persons in 2001 to 259,968 persons in 2004, or a percentage increase of over 10 percent. Overall employment in Louisiana during this same period of time has grown from 1,917,600 persons employed in 2001 to just over 1,928,700 employed in 2004.² Healthcare employment has grown from 12.2 percent of the workforce in 2001 to 13.5 percent of the workforce in Louisiana in 2004. Hurricanes Katrina and Rita altered the trend in overall employment in the state and in healthcare employment, at least in the near term. As the economy recovers, experts anticipate that healthcare employment will again grow more rapidly than the overall employment.

¹US Census Bureau, *Statistics of US Businesses*, 2004.

²Louisiana Economic Outlook, 2004 and 2005 and Bureau of Labor Statistics website.

The growth in healthcare employment will put extra pressure on workforce development, especially the focus on getting persons involved with healthcare professions. Healthcare employment can only keep pace with the demand for healthcare workers if there is an adequate supply of healthcare workers entering the job market. This pressure on having an adequate supply of healthcare professionals has been intensified since Katrina and Rita.

In Louisiana and in the nation, the healthcare sector has grown more rapidly than the population and more rapidly than the overall economy. There are various reasons for such growth, ranging from changing demographics to medical advances to a more affluent society, but the growth is very much in line with the overall demands of the population. Consumers want an available and effective healthcare sector. In the process of providing these highly desired healthcare services, the healthcare sector has become a major economic agent throughout the state. The healthcare industry provides direct jobs and wages to its employees, creates economic linkages with many other industries that work with the healthcare providers and supports industries, such as retail trade and financial services that are necessary to serve the hospital employees.

The 259,968 persons employed in Louisiana in the healthcare sector in 2004 with a payroll of \$7.582 billion are employees of 11,154 healthcare establishments with 31 of these establishments having 500 to 999 employees and 30 having 1,000 or more employees.³ Of all private business establishments in Louisiana, only 178 establishments have 500 to 999 employees and only 96 establishments have 1,000 or more employees. The healthcare sector accounts for over 17 percent of the business establishments with 500 to 999 employees and over 31 percent of the business establishments with 1,000 or more employees. The healthcare sector accounts for almost 16 percent of total payroll in the state.⁴

Hospitals in the Healthcare Sector

Hospitals make up a significant part of the healthcare sector in terms of employees and payroll and are major economic agents in local economies. The employees of the hospitals are also consumers within the region and state. Hospitals purchase supplies and services from other companies within the community and the state. These companies, in turn, purchase materials from other companies within the region and the state and hire people to work for them.

Hospitals get their revenues from private insurance companies, Medicare, Medicaid and self-payment by individuals. According to a 2007 survey of hospitals in Louisiana, 39 percent of net revenues comes from private insurers, 31 percent from Medicare, 16 percent from Medicaid, and 14 percent from self-pay and the uninsured. The 2007 survey suggests a shift in the source of net revenues relative to the comparative 2004 survey. The 2004 survey indicated that 43 percent of net revenues were received from private insurers, 38 percent from Medicare, 10 percent from Medicaid, and 9 percent from self-pay and the uninsured. The source of net revenues for hospitals has diminished proportionately in terms of private insurers and Medicare and has increased in terms of

³Louisiana County Business Patterns, various issues.

⁴Louisiana County Business Patterns, 2004.

Medicaid, self-pay and uninsured. **This trend in the source of net revenues was evident for all years, so it cannot be tied solely to Katrina and Rita.**

III. HOSPITALS IN LOUISIANA

The state's 233 hospitals in 2004 provided jobs for 101,948 persons with an annual payroll of close to \$3.527 billion. In addition, 57 Louisiana hospitals had 500 or more employees. Twenty-nine hospitals had 1,000 or more employees. Hospitals made up 2.1 percent of all healthcare establishments in Louisiana, but these hospitals made up 40 percent of the total employees and 45 percent of the payroll of the healthcare sector. Healthcare providers are a major economic influence within a community, and of these healthcare providers, hospitals are the most dominant economic contributors in a community's economy.

Hospitals can be compared to other industries to get a feel for the size and magnitude of each industry. These comparisons are illustrated in Table 1. The healthcare sector has a larger number of establishments compared to mining, manufacturing, utilities and construction. While the healthcare sector has fewer establishments than retail trade, it has 12 percent more employees and a payroll that is 78 percent higher. Hospitals, on the other hand, according to the **2004 County Business Patterns**, have very few establishments, but they represent 39 percent of all employees working in the healthcare sector and account for 45 percent of the total payroll of the healthcare sector. The payroll of the healthcare sector in Louisiana is larger than the payroll of any other industrial classification in the state. The next largest industry sector in terms of total payroll belonged to manufacturing at \$6.979 billion with 145,560 employees.

Industry	Establishments	# with 500 or more employees	Employees	Payroll (billions of \$)
Mining	1,385	14	42,210	\$2.517
Manufacturing	3,416	50	148,560	\$6.979
Utilities	578	3	11,321	\$0.692
Construction	8,370	18	122,875	\$3.983
Wholesale Trade	5,713	2	73,609	\$2.857
Retail Trade	17,708	22	231,777	\$4.423
Healthcare	11,154	61	259,968	\$7.852
<Hospitals>	<233>	<57>	<101,948>	<\$3.527>

Source: County Business Patterns, U.S. Bureau of Census, 2004

Hospitals have, on average, 437 employees per establishment, while manufacturing facilities have 43 employees per facility; mining companies have 30 employees per establishment; utilities have 20 employees per facility; construction companies have 15 employees per company; and retail trade has 13 employees per establishment. Hospitals are labor-intensive in terms of providing their services to the public.

Katrina and Rita caused a reduction in hospitals and hospital employees in the effected regions of the state. Pre-hurricane comparisons, which will be discussed in another section, still portray the essential relationships among industries in the state. The storms did not change the fundamental economic attributes of hospitals in the state's economy.

Hospitals in Louisiana by Metropolitan Areas-2004

A snapshot of the **pre-Katrina** economic influence of hospitals in the eight metropolitan statistical areas (MSAs) within Louisiana and in the rural parishes of the state is presented in Table 2. The New Orleans metropolitan area, including Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, St. John the Baptist and St. Tammany parishes, accounted for 34 percent of the total hospital payroll in Louisiana and 30 percent of hospital employees in Louisiana. The New Orleans metropolitan area accounted for almost 30 percent of the state's population.

In terms of payroll and employees, the 34 rural parishes make up the second largest hospital market, with 15 percent of the statewide payroll of hospitals and 19 percent of total hospital employees in Louisiana. Twenty-five percent of the state's population resides in these 34 parishes.

The Baton Rouge MSA, including the parishes of Ascension, East Baton Rouge, East Feliciana, Iberville, Livingston, Pointe Coupee, West Baton Rouge and West Feliciana, has 16 percent of the state's population; 15 percent of hospital payroll; and 15 percent of statewide hospital employees. In terms of payroll and hospital employees, the Baton Rouge MSA represents the third largest hospital market in the state.

The Shreveport MSA, including the parishes of Bossier, Caddo and DeSoto, has 9 percent of the state's population; 12 percent of the state's hospital payroll; and 11 percent of hospital employees. In terms of payroll and employees, the Shreveport MSA is the fourth largest hospital share.

Table 2
Hospital Payrolls and Employees by Metropolitan Area (Pre-Hurricanes)
State of Louisiana, 2004

State Regions*	Percentage Population of State	Total Hospital Payroll (in millions)	Percent of Statewide Hospital Salaries	Total Hospital Employees	Percent of Statewide Hospital Employees
Alexandria	3.2%	\$169.2	4.8%	5,180	5.1%
Baton Rouge	16.2%	\$509.9	14.5%	14,960	14.7%
Houma-Thibodaux	4.4%	\$124.9	3.5%	3,439	3.4%
Lafayette	5.5%	\$259.9	7.4%	7,523	7.4%
Lake Charles	4.3%	\$139.1	3.9%	4,569	4.5%
Monroe	3.8%	\$165.4	4.7%	4,895	4.8%
New Orleans	29.2%	\$1,188.9	33.7%	30,829	30.2%
Shreveport	8.5%	\$432.9	12.3%	11,334	11.1%
Rural Parishes	24.9%	\$536.7	15.2%	19,219	18.9%
State	100.0%	\$3,527.0	100.0%	101,948	100.0%

Source: County Business Patterns, US Department of Commerce, 2004

Table 2a
Post-Hurricanes
Estimated Hospital Payrolls and Employees by Metropolitan Area
State of Louisiana, 2006

State Regions*	Estimated Percentage Population of State	Estimated Total Hospital Employees	Percent of Statewide Hospital Employees
Alexandria	3.5%	5,345	6.0%
Baton Rouge	18.0%	15,300	17.2%
Houma-Thibodaux	5.5%	3,750	4.2%
Lafayette	6.5%	7,700	8.7%
Lake Charles	4.5%	4,750	5.3%
Monroe	4.0%	4,895	5.5%
New Orleans	23.0%	15,829	17.8%
Shreveport	8.5%	11,750	13.2%
Rural Parishes	26.5%	19,500	22.0%
State	100.0%	88,819	100.0%

Source: County Business Patterns, US Department of Commerce, 2004

The Lafayette MSA, including the parishes of Lafayette and St. Martin, represents 7 percent of statewide hospital payroll and 7 percent of statewide hospital employees. The Lafayette MSA has 6 percent of the state's population.

The Lake Charles MSA, including the parishes of Calcasieu and Cameron, represents 4 percent of statewide hospital payroll and 5 percent of statewide hospital employees. The Lake Charles MSA has 4 percent of the state's population.

The Houma-Thibodaux MSA, including the parishes of Lafourche and Terrebonne, represents 4 percent of statewide hospital payroll and 3 percent of statewide hospital employees. The Lafayette MSA has 4 percent of the state's population.

The Monroe MSA, including Ouachita and Union parishes, represents 5 percent of statewide hospital payroll and 5 percent of statewide hospital employees. The Monroe MSA has 4 percent of the state's population.

The Alexandria MSA, including Rapides and Grant parishes, represents 5 percent of the statewide hospital payroll and 5 percent of hospital employees. The Alexandria MSA has 3 percent of the state's population.

Hospital Employees Compared to Total Employment by Metropolitan Area

Hospital employees by region are illustrated in Table 3. In the New Orleans area, 30,829 persons were directly employed by hospitals. In the New Orleans area, hospital employees account for approximately 5 percent of total metropolitan employment. In the 34 rural parishes, 19,219 persons are employed in the hospitals, representing approximately 6 percent of total employment in these parishes. In the Baton Rouge area, 14,960 persons are employed by the hospitals in the region, representing approximately 5 percent of total employment. In the Shreveport area, 11,334 persons are employed in the hospitals, representing 7 percent of total employment. In the Lafayette area, 7,523 persons were employed directly by hospitals, representing 4 percent of total employment. In the Lake Charles area, there are 4,569 direct employees of the hospitals, which represents 5 percent of total employment. In the Monroe area, 4,895 persons were directly employed by the hospitals, which represents 7 percent of total employment. In the Alexandria area, 5,180 persons are classified as hospital employees, representing 9 percent of total employment. Alexandria is the one metropolitan area where hospital employment as a percent of total employment is significantly higher than the statewide average. Statewide, according to the 2004 U.S. Department of Commerce, there are 101,948 hospital employees that account for 5 percent of total statewide employment, as compared to the 9 percent of the workforce in Alexandria.

Table 3
Pre-Hurricanes Estimated Hospital Employees by Region

State Regions*	Hospital Employees	Total Regional Employment**	Hospital Employees as Percent of Total
Alexandria	5,180	56,500	9.2%
Baton Rouge	14,960	308,200	4.9%
Houma-Thibodaux	3,439	83,600	4.1%
Lafayette	7,523	170,500	4.4%
Lake Charles	4,569	85,600	5.3%
Monroe	4,895	73,500	6.7%
New Orleans	30,829	613,700	5.0%
Shreveport	11,334	172,900	6.6%
Rural Parishes	19,219	347,700	5.5%
State	101,948	1,912,200	5.3%

Source: County Business Patterns, U.S. Department of Commerce, 2004 and Louisiana Economic Outlook, Loren C. Scott, James A. Richardson, and A.M.M. Jamal (Ourso College of Business Administration, 2005).

**Non-agricultural employment.

Table 3a
Post-Hurricanes Estimated Hospital Employees by Region

State Regions*	Hospital Employees	Total Regional Employment**	Hospital Employees as Percent of Total
Alexandria	5,345	64,600	8.3%
Baton Rouge	15,300	363,400	4.2%
Houma-Thibodaux	3,750	90,300	4.2%
Lafayette	7,700	144,300	5.3%
Lake Charles	4,750	90,300	5.3%
Monroe	4,895	79,100	6.2%
New Orleans	15,829	479,400	3.3%
Shreveport	11,750	176,900	6.6%
Rural Parishes	19,500	398,500	4.9%
State	88,819	1,886,800	4.7%

Source: County Business Patterns, U.S. Department of Commerce, 2004 and Louisiana Economic Outlook, Loren C. Scott, James A. Richardson, and A.M.M. Jamal (Ourso College of Business Administration, 2005).

**Non-agricultural employment.

Hospitals and the Hurricanes

Hurricanes Katrina and Rita created major problems for hospitals in the areas directly affected by the hurricanes and had spillover effects on hospitals throughout the state. Katrina battered the New Orleans metropolitan area, and as of March 2007, the metropolitan area has not fully recovered, even almost 20 months post-storm. Hospitals are still in the process of adjusting to the devastation of the storm.

The hospitals in the Lake Charles area were significantly affected by Hurricane Rita. Adjustments may still be occurring, but hospitals in this region are now back to a more predictable business environment.

Because of the magnitude of the storms, hospitals across the state are experiencing increased demand for services and rising personnel costs. The storms created substantial problems for the hospitals to deal with; however, they have maintained their economic significance in the local economy.

IV. CONSTRUCTION ACTIVITY AND LOUISIANA HOSPITALS⁶

The direct employment and the associated payrolls offered by Louisiana hospitals represent just one step in an economic process that affects persons throughout the economy. Construction activity relating to hospital facilities creates jobs for persons in the construction industry and suppliers to the construction industry, in addition to the economic ripple effects that are associated with major construction projects. Once the construction project is completed, the operation of the hospital, as suggested by the direct employment noted above, creates economic spillovers throughout the economy. The economic significance of the hospital industry spreads far beyond the doors of the hospitals. These economic impacts are estimated and summarized in the following sections.

Hospitals are typically in a construction, expansion and renovation mode. Based on a survey of Louisiana hospitals, from 2004 to 2006, Louisiana hospitals averaged \$469 million per year in construction expenditures on buildings. Hospitals also spent on average \$506 million per year on capital expenditures associated with new equipment. These construction expenditures led to the creation of 8,042 jobs per year for each year that the construction projects were underway. The economic impact on the statewide economy is illustrated in Table 6.

⁶ The methodology used to trace and estimate the economic impact of the construction and operation of hospitals on the regional economy and the Louisiana economy is the input-output (I/O) model, an economic model that describes inter-industry relations within a state and region. The input-output model mathematically describes the transactions necessary among various industries as these industries produce goods and services for consumers, other businesses and industries, and government. It provides a systematic method to analyze inter-industry relationships.

The construction activity affects all facets of the state's economy from the convenience store on the side of the street to the insurance agent providing insurance services for the contractors and other companies involved in hospital construction activity. In total, the business establishments in the state experienced additional business sales of \$1,047.7 million because of the annual construction expenditures of Louisiana hospitals. An additional 8,042 jobs are created with household earnings of \$311.8 million. These jobs vary from 3,712 jobs in the construction sector to 2,005 jobs in the service sector to 1,136 jobs in wholesale and retail trade to 275 jobs in the financial services sector.

This economic activity associated with the construction of hospital facilities will also lead to an additional \$20.5 million in state tax collections per year and \$13.7 million in local tax collections per year for the duration of the construction activity. Hospital construction is typically an ongoing process-not the same hospital and not necessarily the same region, but some place in the state, hospital construction is occurring.

Industry	Business Sales (million of \$s)	Household Earnings (million of \$s)	Jobs Created
Agriculture and Mining	\$11.6	\$2.3	102
Construction	\$477.2	\$154.9	3,712
Manufacturing	\$123.3	\$25.8	555
Transportation and Public Utilities	\$50.4	\$12.4	254
Wholesale and Retail Trade	\$88.8	\$31.6	1,136
Finance, Insurance, and Real Estate	\$78.2	\$10.1	275
Business and Personal Services	\$217.9	\$74.4	2,005
Total	\$1,047.7	\$311.7	8,042

Source: Louisiana Input-Output Model and 2007 Hospital Survey

The economic impact will be spread across the state in each of the metropolitan areas and in the rural parishes, which is illustrated in Table 7. This distribution depends on the construction activity across the state during the last three years. It is not a projection of what the next three years will be like in terms of the distribution of the construction, since once the construction is completed in one area, it might be time for construction to be concentrated in another area. However, the overall statewide magnitude of the economic impact associated with \$469 million of construction activity can be projected to other years if hospitals in general continue to average this amount of construction activity. For the past three years, major construction projects have taken place in New Orleans, Baton Rouge and the rural parishes, with these regions accounting for almost 70 percent of all hospital construction expenditures during the time period of 2004 through 2006. Hospital capital expenditures in the 34 rural parishes averaged almost \$3.3 million per parish over the past three years.

Hospital construction in the New Orleans metropolitan area has resulted in 2,307 jobs being supported throughout the metropolitan area, ranging from construction workers to workers in retail trade to workers in business and personal services. Similarly, the construction activity in Baton Rouge has resulted in 1,441 jobs being supported, with these jobs ranging from construction workers to employees in a variety of activities in support of the construction or the renovation of the hospitals. In the 34 rural parishes, 1,943 workers are supported by the construction activity associated with hospitals.

These construction expenditures refer only to new buildings, improvement and renovation of existing buildings, and other such expenditures. Capital expenditures relating to the purchase of new equipment are not included in these computations, since the new equipment could be purchased from out-of-state vendors minimizing the impact on the Louisiana economy. For the next three to four years, it is anticipated that there will be substantial construction expenditures by hospitals, especially in the New Orleans area as a result of damage from Hurricane Katrina.

Table 7			
Distribution of Capital Expenditures by Hospitals in Louisiana and Distribution of Economic Impacts Associated with Capital Expenditures 2004-2006			
State Regions* (construction expenditures)	Business Sales (million of \$s)	Household Earnings (million of \$s)	Jobs Created
Alexandria (\$2.7 million)	\$6.0	\$1.8	47
Baton Rouge (\$84.1 million)	\$187.8	\$55.9	1,441
Houma-Thibodaux (\$45.0 million)	\$100.5	\$29.9	771
Lafayette (\$20.7 million)	\$46.4	\$13.8	356
Lake Charles (\$6.4 million)	\$14.3	\$4.3	110
Monroe (\$43.7 million)	\$97.6	\$29.0	749
New Orleans (\$134.7 million)	\$300.5	\$89.4	2,307
Shreveport (\$18.6 million)	\$41.5	\$12.3	318
Rural Parishes (\$113.4 million)	\$253.1	\$75.3	1,943
State (\$469.5 million)	\$1,048.0	\$312.0	8,042

Source: 2007 Hospital Survey and Louisiana Input-Output Model

V. ONGOING IMPACT AND SUPPORT OF LOUISIANA HOSPITALS FOR THE LOUISIANA ECONOMY

Based on the U.S. Department of Commerce **2004 County Business Patterns**, Louisiana hospitals employed approximately 101,948 persons with a payroll of \$3.53 billion. Total hospital expenditures, including payroll plus expenditures on supplies and other services, amount to \$10.2 billion. In addition, 57 Louisiana hospitals had 500 or more employees. Hospitals made up only 2.1 percent of all healthcare establishments in Louisiana; however hospitals made up 39 percent of the total healthcare employees and 45 percent of the payroll of the healthcare sector. Healthcare providers are a major economic influence within a community, and of these healthcare providers, hospitals are the most dominant economic contributors in a community's economy. Hospital expenditures serve as an important economic input in promoting, creating need for, and supporting jobs throughout the entire state and local economies. Hospital expenditures are also recurring, i.e., the construction of a hospital facility may be a short-term stimulus to the state and local economy, since the construction project will be completed within a two to three year period, but the operation of a hospital is ongoing.

A summary of the estimated pre-Katrina statewide economic impact related to hospital expenditures of \$10.2 billion is presented in Table 8a. Overall business activity as measured by business sales, including the direct hospital expenditures of \$10.2 billion, amounts to \$21.8 billion. The business sales multiplier is approximately 2.1. Household earnings associated with these business transactions amount to \$8.7 billion with 213,873 direct and indirect jobs being supported by these hospital expenditures. These jobs vary from construction jobs that might be associated with building homes for hospital employees to persons working in wholesale and retail trade to persons working in personal and business services, as well as the persons working directly for the hospitals. The overwhelming majority of the jobs (approximately 171,177) will be in the personal and business services sector of the economy. This is not surprising since almost 102,000 of these jobs are in the hospitals themselves. However, hospital expenditures support over 69,000 jobs in the service sector of the economy that are not hospital employees. These jobs range from consulting services to legal and accounting services to repair services to recreational activities, etc. In addition, 21,682 jobs are supported in wholesale and retail trade, with these jobs ranging from department store personnel to grocery store clerks to pharmacists to fast food workers. Jobs are also created in agriculture and mining, construction, manufacturing, transportation and communications. Persons working in the hospital sector or for companies providing supplies to the hospitals will require the construction of dwellings or commercial establishments, the production of gasoline to fuel their vehicles, communication services, etc.

**Table 8a Pre-Hurricanes Economic Conditions
Economic Impact of Operation of Hospitals in Louisiana, 2004-06
(Estimated Hospital Expenditures of \$10.2 Billion,
Derived from 2007 Hospital Survey)**

Industry	Business Sales (million of \$s)	Personal Earnings (million of \$s)	Jobs Created
Agriculture and Mining	\$317.5	\$59.9	1,521
Construction	\$262.3	\$81.6	1,710
Manufacturing	\$1,803.5	\$295.1	4,825
Transportation and Public Utilities	\$1,905.2	\$445.6	8,542
Wholesale and Retail Trade	\$1,590.4	\$639.2	21,682
Finance, Insurance, and Real Estate	\$2,459.3	\$229.6	4,416
Business and Personal Services	\$13,444.5	\$6,885.1	171,177
Total	\$21,782.7	\$8,636.1	213,873

Source: Louisiana Input-Output Model; 2007 Louisiana Hospital Survey

In the short-term, the devastation from Hurricane Katrina adversely affected the New Orleans economy and the hospitals in the region. The 2004-2006 economic impact of hospital expenditures, as reported in the 2007 Louisiana Hospital Survey, is illustrated in Table 8b. Overall hospital expenditures are estimated to have declined from \$10.2 billion to \$8.8 billion, with the decline being in the New Orleans metropolitan area. Overall business transactions declined from \$21.8 billion to \$18.6 billion. Household earnings declined from \$8.6 billion to \$7.4 billion. The number of jobs related to hospital expenditures declined from 213,873 to 182,586. These reductions are represented in the New Orleans market and are substantial, including a reduction of over 31,000 jobs and reduced household earnings of over \$1.3 billion, as illustrated in Table 8b.

**Table 8b (Post-Katrina Economic Conditions)
Economic Impact of Operation of Hospitals in Louisiana, 2004-06
(Estimated Hospital Expenditures of \$8.8 billion,
Derived from 2007 Hospital Survey and
Estimated Katrina Impacts on New Orleans Market)**

Industry	Business Sales (million of \$s)	Personal Earnings (million of \$s)	Jobs Created
Pre-Katrina Impact	\$21,782.7	\$8,636.1	213,873
Decline from Pre-Katrina Estimates	(\$3,186.2)	(\$1,263.4)	(31,287)
Statewide Impact	\$18,596.5	\$7,372.7	182,586

Source: Louisiana Input-Output Model; 2007 Louisiana Hospital Survey; estimated Katrina effects.

Hospital expenditures become the basic economic input that supports a variety of economic transactions and jobs. The distribution of the post-Katrina economic impact of overall hospital expenditures throughout the state is illustrated in Table 9.

In New Orleans, post-Katrina, 46,927 jobs or about 12.7 percent of all jobs that exist post-Katrina in the New Orleans area were supported by hospital expenditures, while in the Shreveport area 27,247 total jobs, or about 15.8 percent of all existing jobs, are supported by hospital expenditures. In the 34 rural parishes, 24,617 jobs are supported by hospital expenditures. This amounts to 7.1 percent of all jobs that currently exist in the rural parishes. The Baton Rouge metropolitan area gains 26,370 jobs because of the hospital expenditures taking place within this area, and this represents 8.6 percent of all jobs in the Baton Rouge metropolitan area. In Monroe, 6,160 jobs and 8.4 percent of total employment is supported by hospital-related expenditures. In Lafayette, 15,164 jobs and 8.9 percent of total employment are supported by hospital-related expenditures. Hospital expenditures support 16,404 jobs in Alexandria or over 29 percent of all jobs in that region; 11,763 jobs in Houma-Thibodaux or 14.1 percent of all jobs in that area of the state; and 7,935 jobs in Lake Charles or 9.3 percent of all jobs in that region of the state.

Table 9 Post-Hurricanes Economic Conditions Distribution of Expenditures by Hospitals in Louisiana and Distribution of Economic Impacts Associated with Hospital Expenditures 2004-2006			
State Regions* (Hospital expenditures)	Business Sales (million of \$s)	Household Earnings (million of \$s)	Jobs Created
Alexandria (\$782.2 million)	\$1,670.74	\$662.39	16,404
Baton Rouge (\$1,258.1 million)	\$2,685.82	\$1,064.83	26,370
Houma- Thibodaux (\$560.9 million)	\$1,198.05	\$474.99	11,763
Lafayette (\$722.3 million)	\$1,544.40	\$612.30	15,164
Lake Charles (\$378.5 million)	\$808.14	\$320.40	7,935
Monroe (\$294.1 million)	\$627.35	\$248.72	6,160
New Orleans (\$2,272.0 million)	\$4,779.6	\$1,894.0	46,927
Shreveport (\$1,299.7 million)	\$2,775.13	\$1,100.24	27,247
Rural Parishes (\$1,173.8 million)	\$2,507.20	\$994.02	24,617
State (\$8,779.0 million)	\$ 18,596.5	\$ 7,372.7	182,586

Source: 2007 Hospital Survey and Louisiana Input-Output Model

The reason for the connection of hospital expenditures to other employment in the region is the labor-intensive nature of hospital services. Hospitals hire large numbers of people to carry out their missions. These people need retail stores, multiple services, transportation, etc.

Hospital expenditures have a major economic impact on the state in terms of business activity, household earnings and overall jobs supported. Similarly, hospital expenditures have a substantial impact on all regions of the state, since hospitals are scattered throughout the state. A major reduction in hospital expenditures in any part of the state will create economic ripples that will be difficult to offset quickly by other economic measures.

Impact on State and Local Tax Collections

Any impact on overall economic activity, including business transactions, household earnings and jobs, will also lead to state and local tax collections, since state and local taxes are sensitive to how well the economy is doing. The overall post-Katrina economic activity that is supported by hospital expenditures, in turn, leads to \$487 million in state tax collections and \$325 million in local tax collections. The state tax collections include sales and income taxes, excise taxes and other business taxes. These are taxes that are paid by persons and businesses around the state, since the economic activity covers every sector of the state's economy. Local taxes include sales taxes, property taxes and other minor taxes that are collected by local governments.

VI. MEDICAID AND HOSPITAL EXPENDITURES

Healthcare services in the U.S. and in Louisiana are supported by a variety of payment plans, including private insurance, health maintenance organizations and self-pay, but two influential payment plans are public programs, namely, Medicaid, a program for specific individuals and families that are unable to pay for healthcare services for themselves, and Medicare, a program for healthcare services for the elderly. The Medicaid program is jointly funded by the state and federal government with the federal government paying Louisiana just over 70 percent of the Medicaid outlays. The Medicare program is funded entirely through the federal government, but it is ultimately paid for by U.S. taxpayers.

Hospitals vary in terms of the patients they serve and the sources of their revenues. The different sources of hospital funding in Louisiana are illustrated in Table 10. Some hospitals serve a substantially older population, so a large majority of their revenue is Medicare-related. Other hospitals, because of location, may serve a less affluent market, so their revenue is influenced by Medicaid-related patients. Medicare and Medicaid revenues are estimated to represent just over 48 percent of total hospital revenues. It is estimated from the 2007 hospital survey that Medicaid hospital payments represent approximately 16.8 percent of all hospital revenues. This estimate will vary across the state, with Baton Rouge hospitals currently reporting 20.1 percent of total revenue coming from the Medicaid program. Hospitals in New Orleans area reported that 18.4 percent of their net revenues are Medicaid-related. Hospitals in the rural sections of the state receive 13.4 percent of their revenues from Medicaid.

Table 10
Sources of Net Revenues for Payment
of Hospital Charges, Metropolitan Areas of the State
Based on 2007 Hospital Survey

Metropolitan Areas	Percent of Revenues from Private Insured	Percent of Revenues from Medicare	Percent of Revenues from Medicaid	Percent of Revenues from Non-insured and self-pay
Alexandria	34.5%	33.2%	17.2%	15.1%
Baton Rouge	39.0%	23.7%	20.1%	17.3%
Houma-Thibodaux	33.6%	33.2%	17.3%	15.9%
Lafayette	36.9%	28.9%	14.5%	19.7%
Lake Charles	35.5%	41.7%	10.9%	11.8%
Monroe	40.8%	43.6%	9.1%	6.5%
New Orleans	40.7%	28.7%	18.4%	12.2%
Shreveport	40.0%	40.4%	9.7%	9.9%
Rural	29.6%	42.2%	13.4%	14.8%
State	38.4%	31.4%	16.8%	13.4%

Source: 2007 Hospital Survey

The economic impact of the Medicaid hospital expenditures are illustrated in Table 11 for the state as a whole and for the various regions of the state. Medicaid hospital expenditures, as illustrated in Table 11, support 35,930 jobs statewide with personal earnings of \$1,450.9 million. Medicaid hospital expenditures supported the largest number of jobs in the New Orleans metropolitan area with 14,391 jobs, followed by Baton Rouge with 5,300 jobs; the rural parishes with 3,299 jobs; Alexandria with 2,821 jobs; Shreveport/Bossier with 2,643 jobs; Lafayette with 2,199 jobs; Houma-Thibodaux with 2,035 jobs; Lake Charles with 865 jobs; and Monroe with 561 jobs. Medicaid hospital expenditures support 16.8 percent of all jobs associated with overall hospital expenditures.

Table 11
Economic Impact of Hospital Care Associated with Medicaid
on Louisiana Economy and Metropolitan Areas

State Regions*	Business Sales (million of \$s)	Personal Earnings (million of \$s)	Jobs Created
Alexandria	\$287.37	\$113.93	2,821
Baton Rouge	\$539.85	\$214.03	5,300
Houma-Thibodaux	\$207.26	\$82.17	2,035
Lafayette	\$223.94	\$88.78	2,199
Lake Charles	\$88.09	\$34.92	865
Monroe	\$57.09	\$22.63	561
New Orleans	\$1,465.74	\$581.11	14,391
Shreveport	\$269.19	\$106.72	2,643
Rural Parishes	\$335.97	\$133.20	3,299
State	\$ 3,659.51	\$ 1,450.87	35,930

Source: 2007 Hospital Survey and Louisiana Input-Output Model

The Economic Impact of Reducing Medicaid Hospital Expenditures

Reducing any major government program creates an economic downturn for persons providing the service for which the government is paying and for communities in which this service is concentrated. Reducing Medicaid expenditures is leveraged, since the federal government matches the state government's contribution to the Medicaid program with 70 cents for every 30 cents the state contributes. So, if the state reduces its direct expenditures by \$50 million, the Medicaid program will be reduced by about \$167 million in total, because federal dollars will not be forthcoming.

The projected economic impact of Medicaid cuts in the above example would be a reduction of 3,530 jobs statewide, a reduction in personal earnings of \$142.5 million and a reduction in overall business transactions of \$359 million. Some of this reduction would be offset by a reallocation of state spending to other government programs; however, unless these other programs have a similar federal match, there would be a net loss of 2,470 jobs and \$99.8 million in personal earnings.

VII. ECONOMIC IMPACT OF HOSPITALS BY CONGRESSIONAL DISTRICTS

The economic significance of hospitals has been illustrated for the state of Louisiana and for metropolitan areas within the state. Another method of segmenting the state is to evaluate the economic impact of hospitals by Congressional Districts. The economic impact by Congressional District has changed because of Hurricanes Katrina and Rita. The economic impact on other sectors of the economy caused by changes in hospital expenditures in the Congressional Districts is summarized in Table 12, with the estimates being adjusted for post-hurricane effects. Post-hurricanes, it is estimated that 182,586 jobs statewide, including the direct hospital jobs, are created and supported by the hospital expenditures.

Gross employment, both direct and indirect, related to hospital expenditures is 10 percent of all jobs available presently in District 1 (Bobby Jindal's district); 8 percent in District 2 (Bill Jefferson's district); 10 percent in District 3 (Charles Melancon's district); 15 percent in District 4 (Jim McCrery's district); 11 percent in District 5 (Rodney Alexander's district); 18 percent in District 6 (Richard Baker's district); and 14 percent in District 7 (Charles Boustany's district).

Table 12
Estimated Economic Impact* of Hospital Expenditures On
Overall Economic Activity in Congressional Districts, Post-Hurricanes
{Based on \$8.8 Billion of Hospital Expenditures}

Congressional Districts	Business Activity (million of \$s)	Household Earnings (million of \$s)	Support of Jobs
District 1, Bobby Jindal	\$2,041.6	\$809.3	20,043
District 2, Bill Jefferson	\$1,742.6	\$690.9	17,110
District 3, Charles Melancon	\$2,178.3	\$863.6	21,387
District 4, Jim McCrery	\$3,267.4	\$1,295.4	32,081
District 5, Rodney Alexander	\$2,396.1	\$950.0	23,526
District 6, Richard Baker	\$3,812.0	\$1,511.3	37,428
District 7, Charles Boustany	\$3,158.5	\$1,252.2	31,011
State of Louisiana	\$ 18,596.5	\$ 7,372.7	182,586

*Including direct (hospital employment) and indirect (non-hospital employment) impacts

VIII. SUMMARY AND CONCLUSIONS

The healthcare sector in Louisiana, which includes 233 hospitals, provides a range of healthcare services to the citizenry of Louisiana. In providing these essential healthcare services, the healthcare industry becomes a dominant economic force within the state and within the various communities around the state. Almost 260,000 persons, with an estimated payroll approaching \$7.8 billion, work for 11,154 healthcare establishments, with 61 of these establishments having 500 or more employees. In addition, the healthcare sector accounts for almost 16 percent of the state's total payroll. Hospitals by themselves account for over 101,500 employees, with a payroll of \$3.6 billion per year.

Hospitals are scattered throughout the state in order to provide the necessary medical services to the citizens of the state. The New Orleans metropolitan area represents about 30 percent of total hospital employees in the state, while the 34 rural parishes, those parishes not assigned to a MSA, account for 19 percent of total hospital employees. Baton Rouge, with its regional medical facilities, accounts for 15 percent of statewide hospital employees, followed by Shreveport with 11 percent; Lafayette with 7.5 percent; Alexandria with 5 percent; Monroe with 4.8 percent; Lake Charles with 4.5 percent; and Houma-Thibodaux with 3.4 percent. Hospital expenditures and payroll are relatively proportionate to the number of employees in the hospitals.

Hospitals generate economic activity throughout the economy as a result of the size of their expenditures, including their payroll and construction activity. Hospitals engaged in construction projects from 2004 through 2006 had average annual capital expenditures on building and building improvements amounting to \$469 million. This construction activity led to the creation of 8,042 jobs within the state, with about half of these jobs being in the construction industry and about one-third of these jobs being in the wholesale and retail trade sector and the business and personal services sector. Because of this economic activity, the state collects about \$20 million in additional tax collections, and local governments collect about \$14 million in additional tax collections. These jobs

and additional tax collections only last as long as the construction activity; however, in the hospital industry, there will always be construction activity. The construction will not always be in the same region of the state; however, there will be hospital construction within the state.

Hospitals are ongoing enterprises with pre-hurricane total expenditures of \$10.2 billion per year. This substantial economic input led to the creation of 213,872 jobs in the Louisiana economy, with associated personal earnings of \$8.6 billion based on pre-hurricanes economic conditions. These jobs varied from the almost 102,000 jobs at the hospitals to construction jobs that might be associated with building homes for hospital employees to persons working in retail trade and other service industries. These jobs are spread around the state, with 78,213 jobs being in New Orleans; 27,247 jobs in Shreveport; 26,370 jobs in Baton Rouge; 24,617 jobs in the 34 rural parishes; 16,404 jobs in Alexandria; 15,164 jobs in Lafayette; 11,763 jobs in Houma-Thibodaux; 7,935 jobs in Lake Charles; and 6,160 jobs in Monroe.

Post-hurricanes, the only region of the state to incur any loss of jobs was the New Orleans metropolitan area. Overall, the number of jobs in Alexandria, Baton Rouge, Houma-Thibodaux, Lafayette, Lake Charles, Monroe, Shreveport-Bossier and the rural parishes remained the same. The number of jobs in the New Orleans metropolitan area fell from 78,213 to 46,927; household earnings fell from \$3.2 billion to \$1.9 billion; and business transactions fell from almost \$8 billion to \$4.8 billion.

Hospitals are funded through private insurance plans, self-paying customers, and public programs, namely Medicare and Medicaid. The Medicaid program is especially important since it is a matching program with the state receiving federal support only if the state puts up its own resources. As mentioned earlier, the federal government contributes about 70 cents for every 30 cents that the state contributes to the Medicaid program. In Louisiana, approximately 16.8 percent of hospital net revenues are Medicaid-related. Medicaid-related expenditures led to the creation of 35,930 jobs with associated household earnings of \$1.4 billion.

Hospital expenditures have a major economic impact on the state in terms of business activity, personal earnings and overall jobs supported. Similarly, hospital expenditures have a substantial impact on all regions of the state, since hospitals are scattered throughout the state. Some regions are more sensitive to hospital expenditures than others. For example, Alexandria is very sensitive to hospital expenditures, since a fairly substantial amount of their total employment is related to hospital activity. Even in those metropolitan areas in which hospital expenditures have a less significant impact, employment related to hospital expenditures still amounts to 3 to 5 percent of the total workforce. A major reduction in hospital expenditures in any part of the state will create economic ripples that will be difficult to offset immediately by other economic measures.

While post-hurricane economic data is sparse, the facts and figures contained in *Hospital's Impact on the Louisiana Economy* paint a clear picture regarding the impact that hospitals have on the state economy. Their reach goes beyond simply the patients they care for to the community and the state as a whole. The hospital field is a major economic engine in our state that should be appropriately recognized and supported.

Appendix A

Metropolitan Areas are defined as following parishes:

- **Alexandria:** Rapides and Grant
- **Baton Rouge:** Ascension, East Baton Rouge, Iberville, Livingston, Pointe Coupee, West Baton Rouge and West Feliciana
- **Houma-Thibodaux:** Lafourche and Terrebonne
- **Lafayette:** Lafayette and St. Martin
- **Lake Charles:** Calcasieu and Cameron
- **Monroe:** Ouachita and Union
- **New Orleans:** Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, St. John the Baptist and St. Tammany
- **Shreveport:** Bossier, Caddo and De Soto
- **Rural:** remaining 34 parishes