



# LOUISIANA HOSPITAL ASSOCIATION

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## **Louisiana Hospitals Are Major Economic Force, State Healthcare Budget Cuts Lead to Significant Loss in Federal Funding Report Shows the Economic Importance of Hospitals and the Negative Impact on Communities When Hospitals Face Severe Cuts and Other Financial Pressures**

Baton Rouge, September 22, 2011 – Louisiana hospitals are economic leaders, generating more than \$27.1 billion annually in economic activity and directly employing more than 99,350 people in communities throughout the state, according to a new study, “Hospitals and the Louisiana Economy, 2011,” released today by the Louisiana Hospital Association.

The LHA retained Dr. James A. Richardson, Alumni Professor of Economics at Louisiana State University, to provide an analysis of the economic impact of the hospital industry on the Louisiana economy, metropolitan areas within the state, and various districts of the state.

According to the report, the healthcare sector in Louisiana employs more than 269,184 people, about 16.2 percent of the state’s total workforce and approximately 15 percent of the state’s total private payroll. Hospitals account for over 99,350 of these employees, with a payroll of approximately \$4.4 billion per year.

Furthermore, overall hospital expenditures are estimated to be \$13.9 billion, and overall business transactions as measured by business sales, including the direct hospital expenditures, are \$27.1 billion. Personal earnings associated with these business transactions amount to \$9.5 billion, with 240,691 direct and indirect jobs supported by these hospital expenditures.

“People often do not realize that hospitals are huge contributors to our economy, even during an economic recession,” said John Matessino, LHA president & CEO. “Hospitals across the state provide their communities with thousands of well-paid, highly-skilled jobs. This has a positive economic ripple effect in every corner of the state. Every dollar spent by a hospital supports 95 cents of additional business activity, and each hospital job supports approximately 1.4 additional jobs.”

Dr. Richardson explains in the report that “the direct employment by hospitals and the associated payrolls offered by the hospitals represent just one step in an economic process that affects persons throughout the economy.” From 2009 to 2010, Louisiana hospitals averaged about \$903.7 million in building construction, leading to the creation of more than 15,717 new jobs yearly in sectors other than healthcare. The overall economic activity that is supported by hospital expenditures, including payroll, supplies and other services, leads to \$690 million in state tax collections and \$567 million in local tax collections.

### **Cuts Negatively Impact Hospitals and the Community**

Medicaid and Medicare account for 71 percent of the hospital services delivered in the state and are the primary funding sources for hospitals in Louisiana. Therefore, when these programs are cut, the ripple effect negatively impacts hospitals, businesses and patients. For every 35 cents the state spends on the Medicaid program, Louisiana receives approximately 65 cents from the federal government. Because of this federal match, the impact of the state reducing its direct expenditures for Medicaid by \$150 million would be a loss of an additional \$430 million of federal dollars, reducing overall funding by \$580 million. It would also result in a loss of approximately 6,764 jobs statewide; a decrease in personal earnings of \$258 million; and a reduction in overall business transactions of \$800 million.

“Each legislative session, the hospital industry is faced with the same budget battle. The state needs to change the way it addresses its budget shortfall by creating more flexibility in the budget process,” said Paul Salles, president and CEO of the Metropolitan Hospital Council of New Orleans. “Cuts to hospitals have a serious and long-term effect on our communities. Although hospitals continually make strategic decisions to deal with these cuts so that they have the least impact on patient care, eventually there will be nothing left to trim or reduce except direct services and jobs.”

The executive summary of the report also includes a series of responses from the 2011 LHA Annual Hospital Survey about the effects of the current market conditions on hospitals. Of the hospitals surveyed:

- 70% have seen a decrease in patient account collections;
- 41% have seen a decrease in elective surgeries; and
- 54% have seen an increase in emergency room visits for uninsured patients.

Hospitals have made or are considering the following changes in order to cut costs because of current market conditions:

- 46% froze or reduced capital purchases because of current market conditions, and 25% are considering freezing or reducing capital purchases;
- 23% halted construction, equipment purchases and other projects, and 19% are considering it;
- 51% eliminated vacant positions, and 34% are considering it;
- 19% reduced services, and 24% are considering reducing services; and
- 15% have reduced community benefit programs, and another 14% are considering reducing community benefits.

“Hospitals are the heart of their communities, from urban to rural Louisiana,” said Milton Bourgeois, Jr., Chair of the LHA Board of Trustees and CEO of Ochsner-St. Anne General Hospital. “Our hospitals continue to find innovative ways to improve care for patients. We are investing in new technology and implementing best practices so that we can continue to provide critically-needed healthcare services. Our business is taking care of patients, and the fact that we are an enormous economic driver is just one more benefit we provide to our communities.”

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Note: The complete “Hospitals and the Louisiana Economy, 2011” report can be found online at [www.lhaonline.org/displaycommon.cfm?an=1&subarticlenbr=564](http://www.lhaonline.org/displaycommon.cfm?an=1&subarticlenbr=564), along with fact sheets on metropolitan areas and rural parishes.

#### About the Louisiana Hospital Association

Established in 1926, the Louisiana Hospital Association is a non-profit organization representing hospitals and healthcare systems across the state. The mission of the LHA is to support its members through advocacy, education and services. For more information, please visit the LHA website at [www.lhaonline.org](http://www.lhaonline.org).

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