



Hospitals and the Louisiana Economy, 2020



**LOUISIANA
HOSPITAL
ASSOCIATION**

Prepared for the Louisiana Hospital Association
by Dr. James A. Richardson, Alumni Professor of Economics
and Public Administration, Louisiana State University



Hospitals and the Louisiana Economy, 2020 Executive Summary

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Along with providing vital, life-saving medical services to their communities, Louisiana hospitals, with their 102,684 employees, are significant economic drivers statewide.



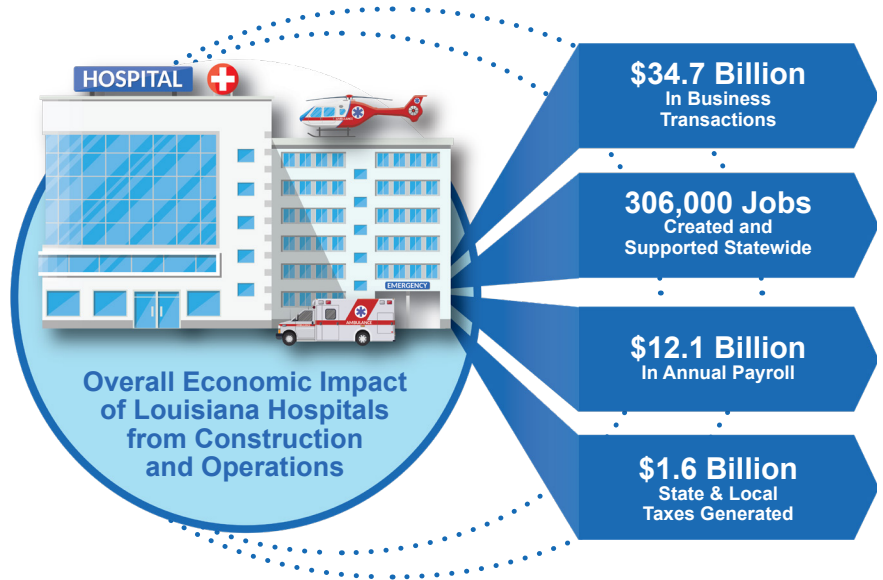
102,684
Hospital Employees
in Louisiana

With An Annual
Payroll Of
\$5.8 Billion

Overall Economic Impact of Hospitals

Construction activity, major equipment purchases, and recurring expenditures, such as salaries, supplies, business services, and other hospital operating costs, produce economic ripples that reach far beyond the hospital to local communities and throughout the state.

Louisiana hospitals **created and supported more than 306,000 jobs, both directly and indirectly**, through daily operations and one-time capital expenditures, leading to **more than \$34.7 billion in business transactions, \$12.1 billion in annual payroll, and \$1.6 billion in net state and local tax collections.**



Overall Economic Impact of Hospitals By Region (\$ in Millions)

Louisiana Region	Business Transactions	Annual Payroll	Jobs Created and Supported	State and Local Tax Collections
New Orleans	\$7,152	\$2,490	62,820	\$336.5
Baton Rouge	\$5,330	\$1,857	47,074	\$251.0
Houma-Thibodaux	\$1,994	\$695	17,621	\$94.2
Lafayette	\$4,562	\$1,589	40,285	\$214.4
Lake Charles	\$2,049	\$714	18,109	\$96.1
Alexandria	\$2,552	\$889	22,575	\$119.9
Shreveport	\$4,626	\$1,611	40,753	\$217.4
Monroe	\$2,982	\$1,039	26,346	\$140.0
Northshore	\$3,516	\$1,226	31,071	\$165.6

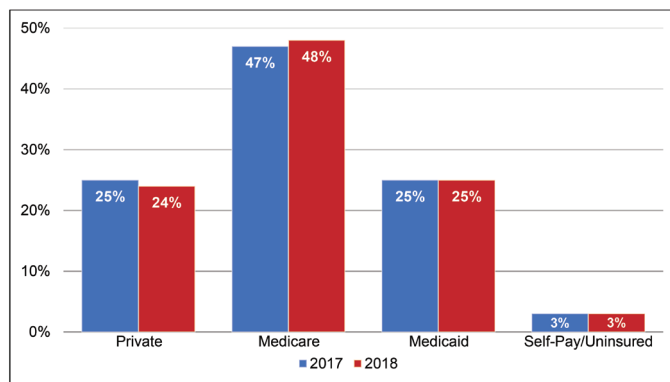
Source: Author and RIMS Multipliers (U.S. Bureau of Economic Analysis)

Hospital Revenue Sources and the Medicaid Program

Hospitals receive revenue from private insurance companies; federal insurance programs, such as Medicare; federal and state insurance programs, such as Medicaid; and self-payment by individuals.

In Louisiana, Medicare is by far the largest component of revenues received by hospitals, with 2017 and 2018 Medicare revenues representing 47% and 48% of revenues respectively. Private insurance accounted for 25% in 2017 and 24% in 2018. Medicaid accounted for 25% in 2017 and 2018. Self-pay and other patient revenue remained static.

Louisiana Hospital Revenue by Source



Source: Louisiana Health Information Network

Healthcare Employment in the State

Healthcare is the largest employer and provider of salaries to Louisiana residents and is a major contributor to the business community in terms of the number of establishments. While some industries in Louisiana have remained flat, or even declined, employment in the healthcare sector grew 2.2% from 2016 to 2018.

Healthcare accounts for 16% of total state employment. In 2018, 305,667 people were employed in the healthcare sector with an annual payroll of more than \$13.7 billion.

Louisiana Industry Employment and Payroll Rankings

Industry	Employment	Annual Payroll (in Billions)
Healthcare (Including Hospitals)	305,667	\$13.7
Manufacturing	135,516	\$10.3
Construction	160,770	\$10.1
Retail Trade	227,951	\$6.4
Leisure and Hospitality	244,705	\$5.2
Wholesale Trade	69,585	\$4.6
Mining	34,396	\$3.3
Utilities	13,683	\$1.0

Source: Louisiana Workforce Commission, 2018 Annual Report and U.S. Bureau of Labor Statistics, 2019

Healthcare's Regional Influence

Louisiana Region	Total Employment	Healthcare Employment	% of Healthcare to Total Employment
New Orleans	415,213	61,443	15%
Baton Rouge	364,103	47,381	13%
Houma-Thibodaux	243,447	17,424	7%
Lafayette	231,193	40,351	17%
Lake Charles	139,958	18,341	13%
Alexandria	101,110	22,927	23%
Shreveport	207,399	40,351	19%
Monroe	128,649	26,289	20%
Northshore	90,488	31,180	34%

Source: Population-American Community Survey and Employment-LWC, 2018 Annual Report

“Louisiana hospitals not only play a critical role in supporting the health of our residents, but also in fostering a vibrant economy.” - Dr. James A. Richardson, Alumni Professor of Economics and Public Administration, LSU

Hospitals and the Louisiana Economy, 2020

**Prepared for the
Louisiana Hospital Association**

**By Dr. James A. Richardson*
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**Dr. Richardson is solely responsible for the analysis and findings in this report.*

Introduction

Louisiana hospitals provide necessary medical services to the residents of the state. In the process of providing these vital services, the healthcare sector becomes a significant agent in local communities and across the state. This report focuses on the integral role hospitals play in commerce and the magnitude of their contributions to the local and state economies, including the nine Louisiana Department of Health (LDH) regions and the six congressional districts within the state.

The economic significance of hospitals in Louisiana is highlighted through the following considerations:

1. Lack of medical care and facilities can deter economic development. Economic development may start without an adequate healthcare system, but it will not continue to flourish unless an acceptable healthcare system exists, including the presence of hospitals.
2. In addition to shaping the long-term economic and social development of a community, hospitals hire highly-trained personnel to deliver medical services, develop commercial relationships with other businesses and conduct research. Hospitals, by their nature, are labor intensive and geographically diverse, making employment in hospitals more substantial compared to other businesses and public enterprises.
3. Hospitals serve as anchors in the development of medical districts, fostering the growth of clinical specialties and teaching programs, and necessitating the need for additional healthcare services and facilities. Often medical districts gain an overall reputation for excellence that attracts patients from beyond the primary service area. Healthcare becomes more than just a service industry; it becomes one of the economic drivers of a local economy.
4. The Medicaid program is a significant contributor to the Louisiana economy, because of the funding relationship between the state and the federal government. Presently, for every 33 cents Louisiana contributes to the Medicaid program, the federal government contributes 67 cents for individuals not covered under the Affordable Care Act (ACA). This is known as the federal medical assistance percentage (FMAP) rate, which is re-computed on an annual basis and can change given economic conditions in the state. In state fiscal year 2017-2018, a \$3.2 billion commitment by the state to the Medicaid program generated \$8.3 billion in federal funds in Louisiana's Medicaid program.¹
5. Hospitals provide direct support to the state Medicaid program via inter-governmental transfers, certified public expenditures, lease payments and the hospital assessment.
6. Medicaid expansion under the ACA allows for a reduced state FMAP for non-elderly adults below 138% of the Federal Poverty Level (FPL), gradually increasing annually to a state FMAP of 10% effective in 2020. In 2016, the federal government paid 100% of the expenses associated with Medicaid expansion with the FMAP gradually moving to a 90:10 ratio. As of December 2018, more than 468,000 non-elderly Louisiana residents have insurance coverage because of Medicaid expansion.
7. Between daily operations and one-time capital expenditures, Louisiana hospitals create and support more than 306,000 jobs with an annual payroll of more than \$12.1 billion, business transactions totaling more than \$34.7 billion and \$1.6 billion in net state and local tax receipts.

¹ Louisiana Medicaid 2018 Annual Report

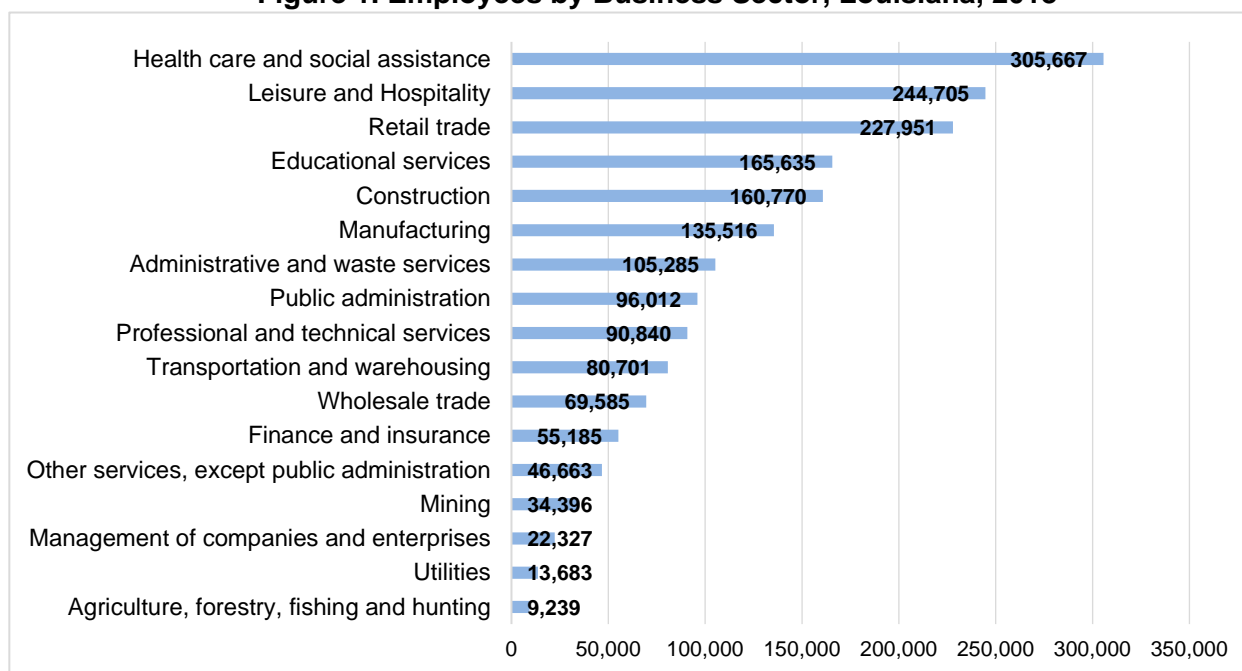
Healthcare Employment in the State²

In the most recent annual data available from the Louisiana Workforce Commission (LWC), 305,667 people were employed in the healthcare sector with an annual payroll of more than \$13.7 billion, which is an average annual wage of approximately \$45,000 per person. While some industries in Louisiana have remained flat, or even declined, employment in the healthcare sector has grown from 303,537 employees in 2017 to 305,667 people in 2018, a 2.2% increase. Healthcare employment as a share of the total workforce in Louisiana is at 16%, which is on par with the national average of 13.5%. Between 2016 and 2018:

- Healthcare employment increased from 298,945 to 305,667 individuals;
- Annual payroll increased from \$12.9 billion to more than \$13.7 billion; and
- Average annual wage increased from \$43,100 to \$45,000 per person.

Figure 1 illustrates the number of employees by business sector revealing the large impact the healthcare sector, including hospitals, has on the state's economy, followed by leisure and hospitality and retail trade. Seven business sectors have more than 100,000 employees including: healthcare, leisure and hospitality, retail trade, educational services, construction, manufacturing, and administrative and waste services. If hospitals were isolated, this industry would also employ more than 100,000 people.

Figure 1. Employees by Business Sector, Louisiana, 2018



Source: LWC, 2018 Annual Report

Establishments, employment and annual payroll for 2018 are illustrated on the next page in Table 1 with healthcare having the most employees and the largest annual payroll but the third largest number of establishments. These statistics merely illustrate the differences among major industries in Louisiana. Healthcare is a major contributor to the business community in terms of establishments and is the largest employer and provider of wages and salaries to Louisiana residents.

² All information in this section is based on LWC, 2018 Annual Report.

Table 1. Business Sectors in Louisiana: Establishments, Employees and Payroll

Industry	Establishments	Industry	Employment	Industry	Wages (\$ Billions)
Retail Trade	17,665	Healthcare	305,667	Healthcare	\$13.7
Professional and Technical Services	15,976	Leisure/Hospitality	244,705	Manufacturing	\$10.3
Healthcare	14,408	Retail Trade	227,951	Construction	\$10.1
Leisure/Hospitality	12,547	Educational Services	165,635	Educational Services	\$6.8
Construction	11,016	Construction	160,770	Retail Trade	\$6.4
Other Services, except Public Administration	9,291	Manufacturing	135,516	Professional and Technical Services	\$6.4
Finance and Insurance	8,307	Administrative and Waste Services	105,285	Leisure/Hospitality	\$5.3
Wholesale Trade	8,030	Public Administration	96,012	Public Administration	\$5.0
Administrative and Waste Services	7,565	Professional and Technical Services	90,840	Transportation and Warehousing	\$4.7
Real Estate and Rental and Leasing	5,562	Transportation and Warehousing	80,701	Wholesale Trade	\$4.6
Transportation and Warehousing	4,813	Wholesale Trade	69,585	Administrative and Waste Services	\$4.0
Manufacturing	4,413	Finance and Insurance	55,185	Finance and Insurance	\$3.9
Public Administration	3,355	Other Services, except Public Administration	46,663	Mining	\$3.3
Information	1,787	Mining	34,396	Other Services, except Public Administration	\$1.8
Educational Services	1,637	Real Estate and Rental and Leasing	31,165	Company/Enterprise Management	\$1.9
Mining	1,628	Information	26,198	Real Estate and Rental and Leasing	\$1.5
Agriculture, Forestry, Fishing and Hunting	1,453	Company/Enterprise Management	22,327	Information	\$1.4
Company/Enterprise Management	1,206	Utilities	13,683	Utilities	\$1.0
Utilities	773	Agriculture, Forestry, Fishing and Hunting	9,239	Agriculture, Forestry, Fishing and Hunting	\$0.4

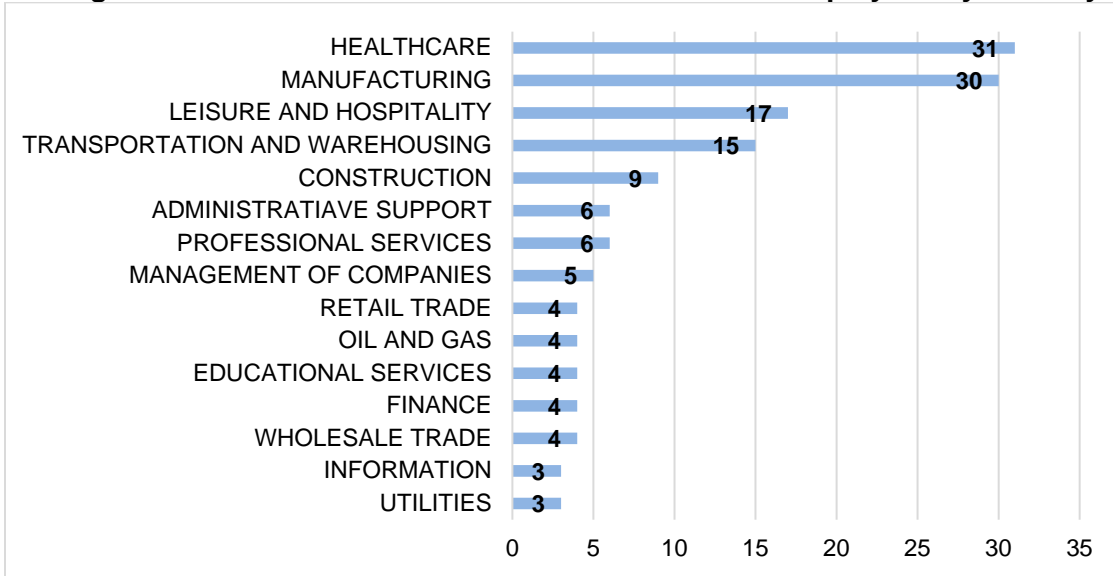
Source: LWC, 2018 Annual Report

Of all the private business establishments in Louisiana:

- 220 have 500 or more employees;
- The healthcare sector has more than 60 establishments, approximately 28% of all business establishments with 500 or more employees, and most of these are hospitals.

The number of establishments by industry with between 500 and 999 employees is illustrated in Figure 2 on the next page. Thirty-one establishments in the healthcare sector have between 500 and 999 employees, representing 21% of all establishments with 500 to 999 employees in the state.

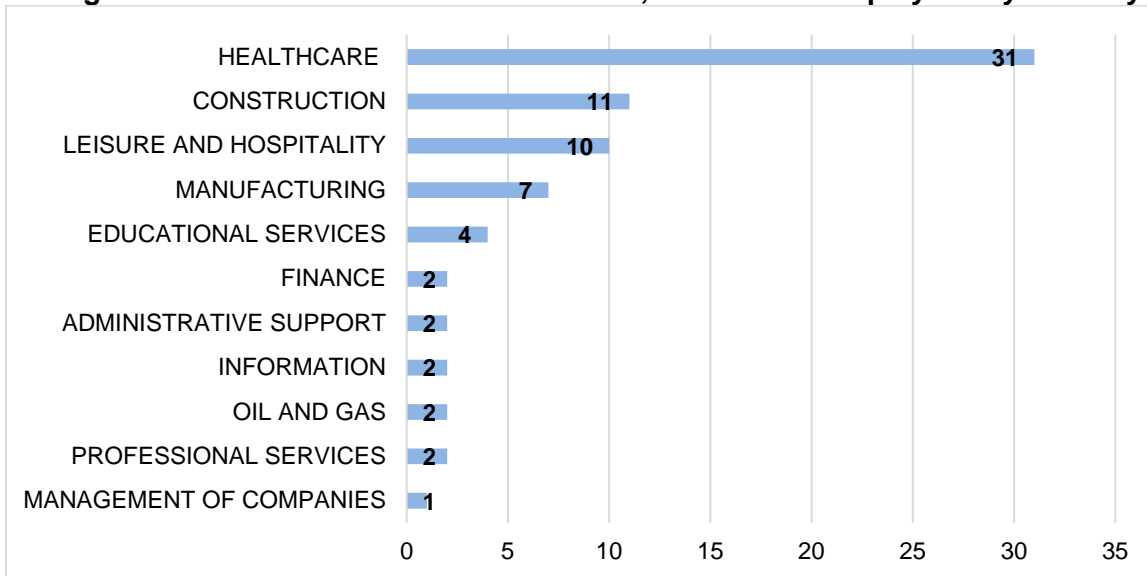
Figure 2. Louisiana Establishments with 500 to 999 Employees by Industry



Source: County Business Patterns

The number of establishments by industry with more than 1,000 employees is illustrated in Figure 3. Thirty-one establishments in the healthcare sector have more than 1,000 employees, representing 42% of all establishments in the state with more than 1,000 employees, and the majority are hospitals.

Figure 3. Louisiana Establishments with 1,000 or More Employees by Industry



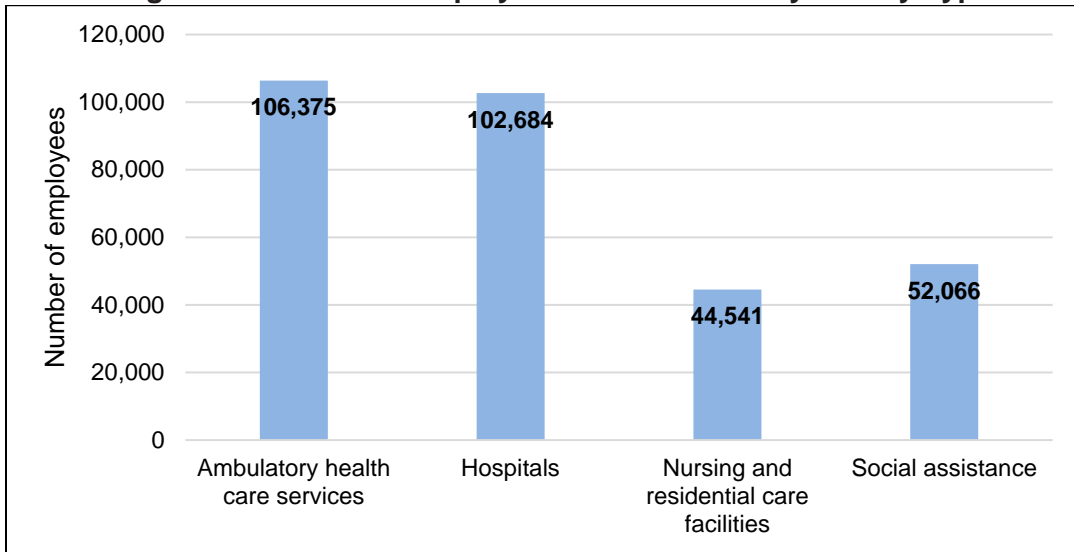
Source: County Business Patterns

In Louisiana and across the nation, the healthcare sector has grown more rapidly than the population and the overall economy for a variety of reasons ranging from changing demographics, improvements in medical technology, and an affluent society. Nationally, healthcare employment increased by a growth of 33.8% from 2006 to 2019 compared to overall employment growth of 10.6% for all employment and is projected to grow by 14.0% from 2018 through 2028 compared to an overall growth rate of 5.0%. Based on the above average growth, the healthcare sector of the economy continues to serve as an economic hub for many communities.

Healthcare employment by facility type is illustrated in Figure 4 based on information from the LWC.

- Ambulatory care, which includes physician offices and other facilities not defined as hospitals, has more than 106,000 employees or about 35% of total healthcare employment;
- Hospitals make up 34% of healthcare employment with 102,684 employees;
- Nursing and residential care facilities make up 15%; and
- Social assistance makes up about 17% of healthcare employment.

Figure 4. Healthcare Employment in Louisiana by Facility Type



Source: LWC, 2018 Annual Report

Healthcare Employment by Region

Employment is further divided into each of the nine regions (Map 1 below).

Map 1. LDH Regions



Population, total employment and healthcare employment in each health region are noted in Table 2. Healthcare employees make up 16% of total employment in the state, although the percent of healthcare employment reflects the total healthcare employment in each region.

Table 2. Comparison of Population and Employment by Region

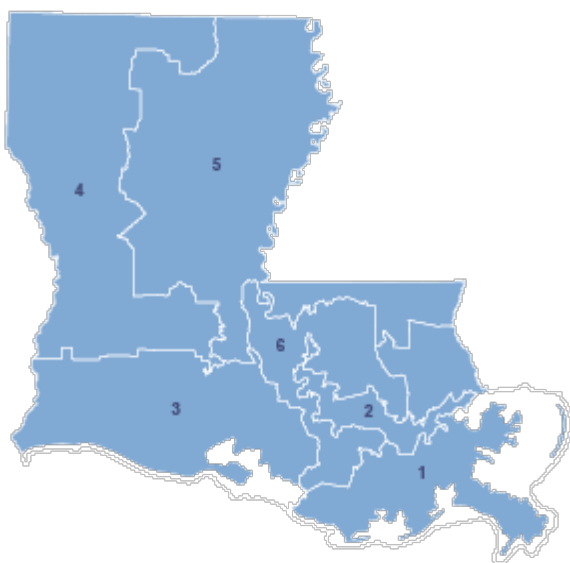
Region	Population	% of Statewide Total	Total Employment	% of Statewide Total	Healthcare Employment	% of Statewide Total
New Orleans	894,716	19%	415,213	22%	61,443	20%
Baton Rouge	680,357	15%	364,103	19%	47,381	16%
Houma-Thibodaux	396,098	8%	243,447	13%	17,424	6%
Lafayette	605,797	13%	231,193	12%	40,351	13%
Lake Charles	302,899	7%	139,958	7%	18,341	6%
Alexandria	307,559	7%	101,110	5%	22,927	8%
Shreveport	535,897	11%	207,399	11%	40,351	13%
Monroe	349,498	7%	128,649	7%	26,289	9%
Northshore	587,157	13%	90,488	5%	31,180	10%
Statewide Total	4,659,978	100%	1,921,560	100%	305,687	100%

Source: Population-American Community Survey and Employment-LWC, 2018 Annual Report

Healthcare Employment by Congressional District³

The six Congressional Districts in Louisiana are illustrated in Map 2, and the healthcare workers by district are illustrated in Table 3.

Map 2. Louisiana Congressional Districts



Healthcare employees ranged from a low of 37,793 in District 2 to a high of 57,358 in District 1. Healthcare employment is most significant in Districts 4 and 5 from an overall employment perspective, with a ratio of healthcare employment to total employment of 23% and 26%, respectively. Healthcare employment relative to the total population of each Congressional District varies from a low of 4.8% in District 2 to a high of 7.4% in District 5. The state average is 6.4%.

³ Information in this section on Congressional Districts is based on the census.gov (My Congressional District), The American Community Survey and County Business Patterns.

Table 3. Hospital Employment by Congressional District

Congressional District	Population	Total Employment	Healthcare Employment	Estimated Hospital Employment
District 1 Steve Scalise	806,638	310,406	57,358	19,841
District 2 Cedric Richmond	794,121	292,381	37,793	19,736
District 3 Clay Higgins	783,545	285,293	52,486	16,347
District 4 Mike Johnson	747,314	211,084	47,687	12,053
District 5 Ralph Abraham	738,249	206,644	54,480	17,069
District 6 Garret Graves	790,111	331,573	47,480	17,638
Statewide Total	4,659,978	1,637,381	297,284	102,684

Source: 2018 American Community Survey 1-Year Estimates, U.S. Census Bureau with Hospital Estimates Coming from LWC and Author

In Louisiana Congressional Districts 1, 3, 4, and 5, the healthcare sector has the most employees of any business sector. In these four districts, healthcare employment makes up 20.9% of all employment.

Nationally, the healthcare sector of the economy employed the most people in 243 out of 435 districts, or 56% of the Congressional Districts, according to the Bureau of Labor Statistics (BLS). The healthcare sector had the highest annual payroll in roughly 50% of the 435 Congressional Districts. These national estimates by the BLS support the information in Table 1 (see page 4) indicating that, in Louisiana, the healthcare sector had the highest number of employees and the highest annual payroll by a substantial margin.

Economic Impact of Hospitals

The Economic Impact of Hospital Employment

Hospital employment is a significant economic and social factor in assessing the vitality of the state and various communities. Hospital employment represents 34% of healthcare employment in Louisiana but accounts for 42% of wages and salaries associated with the healthcare industry.

In 2018, hospitals in Louisiana employed 102,684 people with an annual payroll of almost \$5.8 billion, which is 6.3% of annual payroll in Louisiana. Numerous hospitals have more than 500 employees, with many having more than 1,000 employees according to County Business Patterns. Hospitals accounted for less than 0.5% of all business establishments in the state, but 5.3% of total employment compared to 4% nationally.

Table 4 provides an overview of hospitals as economic entities compared to other industries in the state. Healthcare has approximately 20% more employees than retail or leisure and hospitality, but a payroll that is twice as large. Mining and manufacturing have higher pay per employee than healthcare or hospitals. While mining and manufacturing establishments produce products in the state, the distribution of these products extends across a much larger geographical area, both nationally and globally. Healthcare, specifically hospitals, on the other hand, does not produce goods but provides services that typically are concentrated in the local community.

Table 4. Establishments, Employment, and Payroll of Various Economic Sectors

Industry	Establishments	Employment	Annual Payroll	Workers Per Establishment
Healthcare *Hospitals	14,408	305,667 102,684	\$13.7 billion \$5.8 billion	14
Manufacturing	4,413	135,516	\$10.3 billion	31
Construction	11,016	160,770	\$10.1 billion	15
Retail Trade	17,665	227,951	\$6.4 billion	13
Leisure and Hospitality	12,547	244,705	\$5.2 billion	18
Wholesale Trade	8,030	69,585	\$4.6 billion	9
Mining	1,628	34,396	\$3.3 billion	21
Utilities	773	13,683	\$1.0 billion	18

Source: LWC, 2018 Annual Report and BLS, 2019 *Hospitals represented as a subset of Healthcare

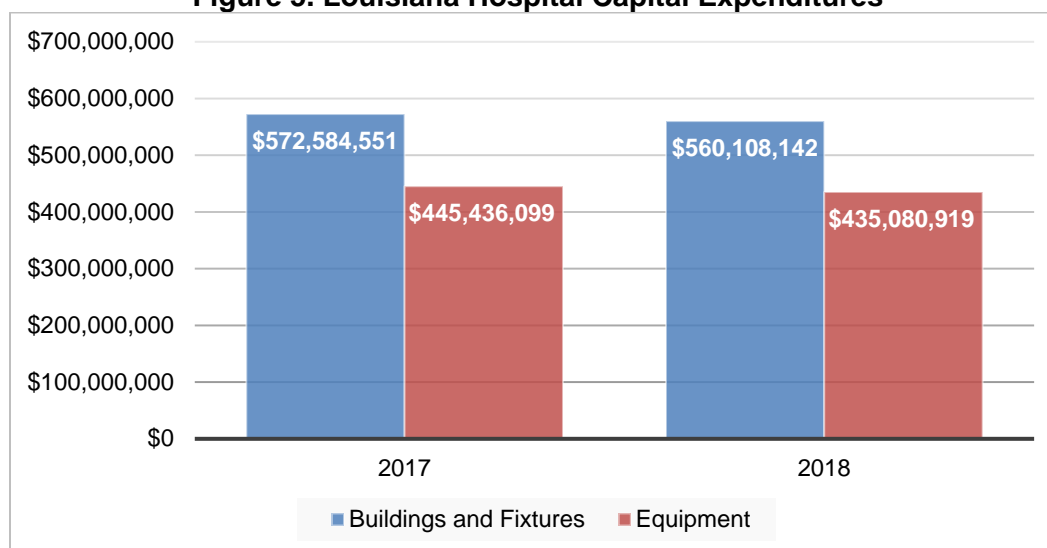
There is a significant difference between hospitals and other industrial sectors in terms of employment per establishment. Hospitals are very labor intensive because of the type and level of services provided on a 24-hour basis. Hospitals are always required to have a minimum number of highly-skilled employees to meet patient demand. These factors are major reasons hospitals are significant economic agents within local communities.

The Economic Impact of Hospital Capital Expenditures

The economic benefits of the hospital industry are felt far beyond the doors of each hospital and its employees. Construction activity for hospitals creates jobs for persons in the industry and related suppliers, producing economic ripples that are generally associated with any construction job. These economic ripples include purchases from local businesses for the project and the workers who are consumers of goods and services in the local economy. The impact of the construction project is obviously for a limited period; however, given the size of the hospital industry, technological advances and aging infrastructure, there will always be construction projects going on throughout the state. The economic impacts are estimated and summarized in the following section of this report.

Statewide construction activity is illustrated in Figure 5 for 2017 and 2018 for both construction and major equipment purchases. Hospitals spent more than \$572 million on construction projects in 2017 and more than \$560 million in 2018. In both 2017 and 2018, they spent more than \$435 million on equipment. These are substantial expenditures that affect the total economy.

Figure 5. Louisiana Hospital Capital Expenditures



Source: 2017 and 2018 Cost Report, HCRIS, July 2019

Impact of Hospital Capital Expenditures by Region

The local economic impact of construction spending is more substantial than the economic impact of major equipment purchases, since these purchases are likely made outside of Louisiana. Though equipment purchases undoubtedly enhance the healthcare services offered by the hospital, they do not have a large impact on the local economy. Hence, we will focus on the economic impact of the construction spending by the hospitals.

The construction spending by region is illustrated in Table 5 on the next page. This impact varies across the state depending on the extent of construction projects occurring within each region. Major construction projects related to hospitals occurred in the New Orleans area in both 2017 and 2018, averaging \$205 million in capital expenditures. Capital expenditures in the Shreveport area averaged \$93 million between 2017 and 2018, while in the Baton Rouge area, hospital spending on capital projects averaged \$67 million. Significant capital expenditures took place in every region with the lowest capital expenditures occurring in the Lake Charles region in 2017 and 2018 at an average of \$23.5 million and in the Alexandria region at an average of \$21 million.

Table 5. Average Construction Expenditures by Region, 2017 and 2018

Regions	2017	2018
New Orleans	\$200,700,000	\$208,900,000
Baton Rouge	\$64,400,000	\$69,100,000
Houma-Thibodaux	\$27,700,000	\$20,400,000
Lafayette	\$63,400,000	\$56,900,000
Lake Charles	\$23,900,000	\$23,100,000
Alexandria	\$24,700,000	\$18,200,000
Shreveport	\$93,800,000	\$92,500,000
Monroe	\$33,500,000	\$31,900,000
Northshore	\$40,500,000	\$39,000,000
Statewide Total	\$572,600,000	\$560,100,000

Source: 2017 and 2018 Cost Report, HCRIS, July 2019

Table 6 illustrates the economic impact of construction expenditures for 2017 and 2018 combined. Statewide, construction activity at hospitals:

- Created or supported an average of 8,141 jobs each year with an annual income of about \$46,500 per employee;
- Generated payroll of \$379 million; and
- Produced more than \$51 million in state and local tax collections.

Employment gains ranged from 2,945 jobs in New Orleans, or 36% of the state gain, to about 309 new jobs in Alexandria.

Table 6. Economic Impact of Construction Expenditures by Region (\$ in Millions)

Region	Business Transactions	Annual Payroll	Jobs Created and Supported	State and Local Tax Collections
New Orleans	\$403	\$137	2,945	\$18.5
Baton Rouge	\$132	\$45	960	\$6.0
Houma-Thibodaux	\$47	\$16	345	\$2.2
Lafayette	\$118	\$40	864	\$5.4
Lake Charles	\$46	\$16	338	\$2.1
Alexandria	\$42	\$14	309	\$1.9
Shreveport	\$183	\$62	1,339	\$8.4
Monroe	\$65	\$22	470	\$3.0
Northshore	\$78	\$27	571	\$3.6
Statewide Total	\$1,114	\$379	8,141	\$51.1

Source: Author and RIMS Multipliers (U.S. Bureau of Economic Analysis), 2017 and 2018

Impact of Hospital Capital Expenditures by Congressional District

Table 7 on the next page illustrates the economic impact of hospital capital expenditures in 2017 and 2018 on the various Congressional Districts. Capital spending by hospitals in District 1 created and supported more than 1,700 jobs and in District 2 created and supported more than 2,000 jobs.

Table 7. Economic Impact of Capital Expenditures (\$ in Millions)

Congressional District	Business Transactions	Annual Payroll	Jobs Created and Supported	State and Local Tax Collections
District 1 Steve Scalise	\$234	\$79	1,713	\$10.4
District 2 Cedric Richmond	\$275	\$93	2,010	\$12.3
District 3 Clay Higgins	\$165	\$56	1,221	\$7.4
District 4 Mike Johnson	\$193	\$66	1,401	\$8.6
District 5 Ralph Abraham	\$115	\$40	833	\$5.9
District 6 Garret Graves	\$132	\$45	963	\$6.5
Statewide Total	\$1,114	\$379	8,141	\$51.1

Source: Author and RIMS Multipliers (U.S. Bureau of Economic Analysis)

The Economic Impact of Hospital Operations

Net revenues earned by Louisiana hospitals were estimated to be \$17.9 billion in 2017 and 2018 based on information from the American Hospital Directory and Becker's Hospital Review.⁴ These net revenues represent the amount of dollars to be used by the hospitals in setting recurring expenditures such as salaries and wages, supplies, business services and other normal operating costs, which are all necessary to support operations.

Impact of Hospital Operations by Region

Based on total net revenue of \$17.9 billion and the updated economic multipliers, the economic impact associated with hospital operations by region is presented in Table 8. In summary,

- Business activity increased by an estimated \$33.6 billion;
- Annual payroll was more than \$11.7 billion;
- Jobs created or supported amounted to 298,513 statewide; and
- State and local taxes collected were \$1.58 billion.

Table 8. Economic Impact of Hospitals, 2017 and 2018 (\$ in Millions)

Region	Business Transactions	Annual Payroll	Jobs Created and Supported	State and Local Tax Collections
New Orleans	\$6,749	\$2,353	59,875	\$318
Baton Rouge	\$5,198	\$1,812	46,114	\$245
Houma-Thibodaux	\$1,947	\$679	17,276	\$92
Lafayette	\$4,444	\$1,549	39,421	\$209
Lake Charles	\$2,003	\$698	17,771	\$94
Alexandria	\$2,510	\$875	22,266	\$118
Shreveport	\$4,443	\$1,549	39,414	\$209
Monroe	\$2,917	\$1,017	25,876	\$137
Northshore	\$3,438	\$1,199	30,500	\$162
Statewide Total	\$33,649	\$11,731	298,513	\$1,584

Source: Author and RIMS Multipliers (U.S. Bureau of Economic Analysis)

⁴ www.beckershospitalreview.com and www.ahd.com

Jobs created and supported across various industries as a result of the economic impact of hospital operations include approximately:

- 237,000 jobs in personal and business services;
- 30,000 jobs in retail and wholesale trade;
- 13,000 jobs combined for other industries, including construction, manufacturing, and even agricultural activities;
- 12,000 jobs in transportation and utilities; and
- 6,000 jobs in financial services.

Most of the jobs are in personal and business services, since this is the category in which healthcare services are placed. State and local taxes are collected throughout the state with the New Orleans area collecting the most state and local taxes from hospital activity, followed by the Baton Rouge region.

Impact of Hospital Operations by Congressional District

The economic impact of hospitals spans across the six Congressional Districts in Louisiana as illustrated in Table 9. All Congressional Districts have a relatively large number of jobs being created and supported by the hospitals located in the districts. The largest number of jobs is in Districts 1 and 6 based on the concentration of hospitals in those areas.

Table 9. Economic Impact of Hospitals

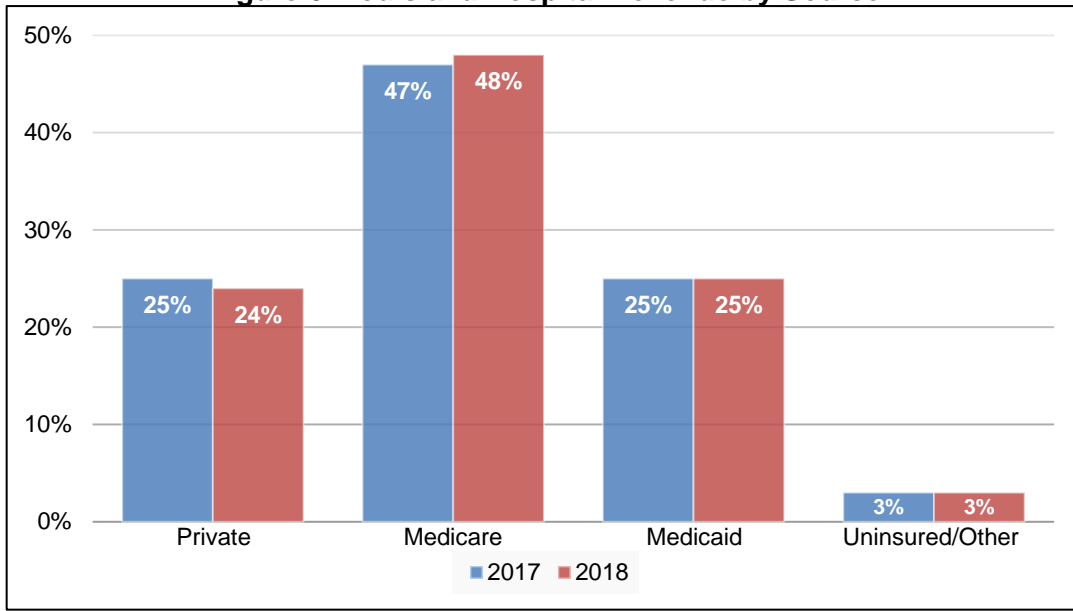
Congressional District	Jobs Created and Supported	Annual Payroll (in Millions)
District 1, Steve Scalise	57,039	\$2,241
District 2, Cedric Richmond	46,683	\$1,835
District 3, Clay Higgins	48,674	\$1,913
District 4, Mike Johnson	41,525	\$1,632
District 5, Ralph Abraham	46,694	\$1,835
District 6, Garret Graves	57,897	\$2,275
Statewide Total	298,513	\$11,731

Source: Author and RIMS Multipliers (U.S. Bureau of Economic Analysis)

Hospital Revenue Payor Mix

Hospital net revenues come from private insurance, Medicare, Medicaid, and self-payment with the division of these revenues for hospitals being illustrated in Figure 6. In Louisiana, Medicare is by far the largest component of revenues received by hospitals, with 2017 and 2018 Medicare revenues representing 47% and 48% of revenues respectively. Private insurance accounted for 25% in 2017 and 24% in 2018. Medicaid accounted for 25% in 2017 and 2018. Self-pay and uninsured patient revenue remained static at 3%.

Figure 6. Louisiana Hospital Revenue by Source



Source: Louisiana Health Information Network

Summary and Conclusions

The healthcare sector in our state, including hospitals and other healthcare facilities, provides a range of healthcare services to the residents of Louisiana. In providing these services, the industry becomes an important economic force within the communities and around the state. More than 305,600 individuals, with an estimated payroll of \$13.7 billion, work for 14,408 healthcare establishments with more than 60 of these establishments having 500 or more employees. In addition, the healthcare sector accounts for approximately 18% of the state's private payroll. Hospitals alone account for almost 103,000 employees with an annual payroll of \$5.8 billion. **Between daily operations and one-time capital expenditures, Louisiana hospitals created and supported more than 306,000 jobs with an annual payroll of more than \$12.1 billion and \$1.6 billion in net state and local tax receipts.**

Hospitals generate economic activity because of the magnitude of capital expenditures, including payroll and construction activity. Hospitals engaged in construction projects for 2017 and 2018 averaged annual capital expenditures on building and building improvements of approximately \$566 million. This construction activity led to the creation and support of more than 8,100 jobs within the state, only half of which were directly in the construction industry; about one-third of these jobs were related to services including wholesale and retail trade and the business and personal services sector. Because of this construction activity, the state and local governments collected about \$51 million in new taxes—that is, tax dollars that otherwise would not have been available. These jobs and additional tax collections last only as long as the construction activity; however, there will always be construction activity in the hospital industry as there will always be demand for medical services.

Hospitals are continuous enterprises with estimated total operational expenditures of \$17.9 billion per year. This substantial economic input leads to the creation and support of more than 298,500 jobs in the Louisiana economy with an annual payroll of more than \$11.7 billion. These jobs include direct hospital jobs and jobs in other industries, such as retail and financial services necessary to serve hospitals and their employees. The overall economic impact also generates \$1.58 billion in state and local tax collections. These jobs and state and local tax receipts are spread around the state with the following approximate distribution:

- New Orleans: 59,875 jobs and \$318 million in state and local tax receipts;
- Baton Rouge: 46,114 jobs and \$245 million in state and local tax receipts;
- Houma-Thibodaux: 17,276 jobs and \$92 million in state and local tax receipts;
- Lafayette: 39,421 jobs and \$209 million in state and local tax receipts;
- Lake Charles: 17,771 jobs and \$94 million in state and local tax receipts;
- Alexandria: 22,266 jobs and \$118 million in state and local tax receipts;
- Shreveport: 39,414 jobs and \$209 million in state and local tax receipts;
- Monroe: 25,876 jobs and \$137 million in state and local tax receipts; and
- Northshore: 30,500 jobs and \$162 million in state and local tax receipts.

Hospitals serve first and foremost the healthcare needs of the community, and they also provide a significant economic impact for local communities and the state in terms of their capital investment and ongoing business activities as suggested by the number of jobs created and supported. The economic benefits of the hospital industry extend far beyond the doors of the hospitals and the people directly employed by these facilities. Louisiana hospitals not only play a critical role in supporting the health of our residents, but also in fostering a vibrant economy.

Economic Summary by LDH Region

Region 1: New Orleans

The continuously-evolving medical district in New Orleans has the potential to compete with similar cities in the South like Birmingham or Memphis. The district is anchored by major healthcare institutions, including University Medical Center, the Southeast Louisiana Veterans Health Care System and Tulane Medical Center, along with the LSU Health Science Center, Tulane School of Medicine and the Louisiana Cancer Research Center. Biomedical and biotechnology research is growing in that area, and there is space to expand medical training and facilities, physician offices and other medically-related businesses, as well as non-medical offices, businesses and housing. The New Orleans area has:

- 61,443 healthcare employees;
- The economic benefit from construction projects alone generated \$403 million in business transactions, created and supported 2,945 jobs with a payroll of \$137 million, and led to the collection of \$18.5 million in state and local taxes;
- The economic benefit from ongoing hospital operations generated \$6.7 billion in business sales, created and supported 59,875 jobs with an annual payroll of \$2.4 billion, and led to the collection of \$318 million in state and local taxes, the most of any region in the state.

Region 2: Baton Rouge

The Baton Rouge Health District includes major hospitals and research facilities providing medical services, education and scientific research, resulting in economic benefits to the Baton Rouge region and beyond. The close proximity of health services in Baton Rouge has enabled the formation of this district, attracting medical consumers; increasing competition for grants, private-industry contracts and other funding; and generating new product development. The Baton Rouge region has:

- 47,381 healthcare employees;
- The economic benefit from construction projects alone generated \$132 million in business transactions, created and supported 960 jobs with a payroll of \$45 million, and led to the collection of \$6.0 million in state and local taxes;
- The economic benefit from ongoing hospital operations generated \$5.2 billion in business sales, created and supported 46,114 jobs with an annual payroll of \$1.8 billion, and led to the collection of \$245 million in state and local taxes.

Region 3: Houma-Thibodaux

The Houma-Thibodaux area has:

- 17,424 healthcare employees;
- The economic benefit from construction projects alone generated \$47 million in business transactions, created and supported 345 jobs with a payroll of \$16 million, and led to the collection of \$2.2 million in state and local taxes;
- The economic benefit from ongoing hospital operations generated \$1.9 billion in business sales, created and supported 17,276 jobs with an annual payroll of \$679 million, and led to the collection of \$92 million in state and local taxes.

Region 4: Lafayette

The Lafayette region has:

- 40,351 healthcare employees;
- The economic benefit from construction projects alone generated \$118 million in business transactions, created and supported 864 jobs with a payroll of \$40 million, and led to the collection of \$5.4 million in state and local taxes;
- The economic benefit from ongoing hospital operations generated \$4.4 billion in business sales, created and supported 39,421 jobs with an annual payroll of \$1.5 billion, and led to the collection of \$209 million in state and local taxes.

Region 5: Lake Charles

The Lake Charles area has:

- 18,341 healthcare employees;
- The economic benefit from construction projects alone generated \$46 million in business transactions, created and supported 338 jobs with a payroll of \$16 million, and led to the collection of \$2.1 million in state and local taxes;
- The economic benefit from ongoing hospital operations generated \$2 billion in business sales, created and supported 17,771 jobs with an annual payroll of \$698 million, and led to the collection of \$94 million in state and local taxes.

Region 6: Alexandria

The Alexandria region has:

- 22,927 healthcare employees;
- The economic benefit from construction projects alone generated \$42 million in business transactions, created and supported 309 jobs with a payroll of \$14 million, and led to the collection of \$1.9 million in state and local taxes;
- The economic benefit from ongoing hospital operations generated \$2.5 billion in business sales, created and supported 22,266 jobs with an annual payroll of \$875 million, and led to the collection of \$118 million in state and local taxes.

Region 7: Shreveport

The Shreveport region has:

- 40,351 healthcare employees;
- The economic benefit from construction projects alone generated \$183 million in business transactions, created and supported 1,339 jobs with a payroll of \$62 million, and led to the collection of \$8.4 million in state and local taxes;
- The economic benefit from ongoing hospital operations generated \$4.4 billion in business sales, created and supported 39,414 jobs with an annual payroll of \$1.5 billion, and led to the collection of \$209 million in state and local taxes.

Region 8: Monroe

The Monroe area has:

- 26,289 healthcare employees;
- The economic benefit from construction projects alone generated \$65 million in business transactions, created and supported 470 jobs with a payroll of \$22 million, and led to the collection of \$3.0 million in state and local taxes;
- The economic benefit from ongoing hospital operations generated \$2.9 billion in business sales, created and supported 25,876 jobs with an annual payroll of \$1 billion, and led to the collection of \$137 million in state and local taxes.

Region 9: Northshore

The Northshore region has:

- 31,180 healthcare employees;
- The economic benefit from construction projects alone generated \$78 million in business transactions, created and supported 571 jobs with a payroll of \$27 million, and led to the collections of \$3.6 million in state and local taxes;
- The economic benefit from ongoing hospital operations generated \$3.4 billion in business sales, created and supported 30,500 jobs with an annual payroll of \$1.2 billion, and led to the collection of \$162 million in state and local taxes.

Summary by Congressional District

In Congressional Districts 1, 3, 4 and 5, the healthcare sector has the most employees of any industry. In these four districts, healthcare employment makes up 20.9% of all private employment.

District 1, Steve Scalise

In District 1:

- 57,358 individuals work in healthcare, with an estimated 19,812 of those employed by hospitals, or 35% of the healthcare workforce.
- Through construction projects in 2017 and 2018, approximately 1,713 additional jobs were created and supported with a payroll of \$79 million, and more than \$10.4 million in new state and local taxes were collected.
- Ongoing hospital operations created and supported 57,039 jobs with an annual payroll of \$2.2 billion.

District 2, Cedric Richmond

In District 2:

- 37,793 individuals work in healthcare, with an estimated 13,054 of those employed by hospitals, or 52% of the healthcare workforce. The only industry that employed more in this district was leisure/hospitality.
- Through construction projects in 2017 and 2018, approximately 2,010 additional jobs were created and supported with a payroll of \$93 million, and more than \$12.3 million in new state and local taxes were collected.
- Ongoing hospital operations created and supported 46,683 jobs with an annual payroll of \$1.8 billion.

District 3, Clay Higgins

In District 3:

- 52,486 individuals work in healthcare, with an estimated 18,129 of those employed by hospitals, or 31% of the healthcare workforce.
- Through construction projects in 2017 and 2018, approximately 1,221 additional jobs were created and supported with a payroll of \$56 million, and more than \$7.4 million in new state and local taxes were collected.
- Ongoing hospital operations created and supported 48,674 jobs with an annual payroll of \$1.9 billion.

District 4, Mike Johnson

In District 4:

- 47,687 individuals work in healthcare, with an estimated 16,471 of those employed by hospitals, or 25% of the healthcare workforce.
- Through construction projects in 2017 and 2018, approximately 1,401 additional jobs were created and supported with a payroll of \$66 million, and more than \$8.6 million in new state and local taxes were collected.
- Ongoing hospital operations created and supported 41,525 jobs with an annual payroll of \$1.6 billion.

District 5, Ralph Abraham

In District 5:

- 54,480 individuals work in healthcare, with an estimated 18,818 of those employed by hospitals, or 31% of the healthcare workforce.
- Through construction projects in 2017 and 2018, approximately 833 additional jobs were created and supported with a payroll of \$40 million, and more than \$5.9 million in new state and local taxes were collected.
- Ongoing hospital operations created and supported 46,694 jobs with an annual payroll of \$1.8 billion.

District 6, Garret Graves

In District 6:

- 47,480 individuals work in healthcare, with an estimated 16,400 of those employed by hospitals, or 37% of the healthcare workforce. The only two industries that employed more people in District 6 were the construction industry with 58,288 employees and the retail-trade industry with 48,118.
- Through construction projects in 2017 and 2018, approximately 963 additional jobs were created and supported with a payroll of \$45 million, and more than \$6.5 million in new state and local taxes were collected.
- Ongoing hospital operations created and supported 57,897 jobs with an annual payroll of \$2.3 billion.