



**LOUISIANA HEALTHCARE CONNECTIONS**  
*Economic and Revenue Impacts Analysis*



PREPARED BY:

Baton Rouge Area Chamber.

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*Compared to other Medicaid MCOs, LHCC's higher number of in-state FTEs per member is responsible for an additional **\$98.4 million in economic impact for Louisiana.***

# Executive Summary

Louisiana Healthcare Connections (LHCC) is a healthcare insurance provider that began doing business in Louisiana in 2012, and whose presence and services have since expanded significantly. LHCC currently has more than 520,000 members and a network of over 32,000 healthcare providers. The purpose of this analysis is to measure the economic impact of LHCC on the Louisiana economy from its establishment in 2012 through the end of 2020.

The analysis includes capital investment in the state of Louisiana, as well as an estimate of the ongoing operations impacts in three of the state's metropolitan statistical areas – Baton Rouge, Lafayette, and New Orleans. In addition to the economic impacts, the study also includes an estimate of the new tax revenues to the cities, parishes, schools, and other special districts associated with LHCC's ongoing operations throughout the state. However, the analysis does not include any impact or tax revenues associated with LHCC's annual net revenue, which would likely be significant. This means that the actual economic and tax revenue impact of LHCC is even higher than the data below suggests.

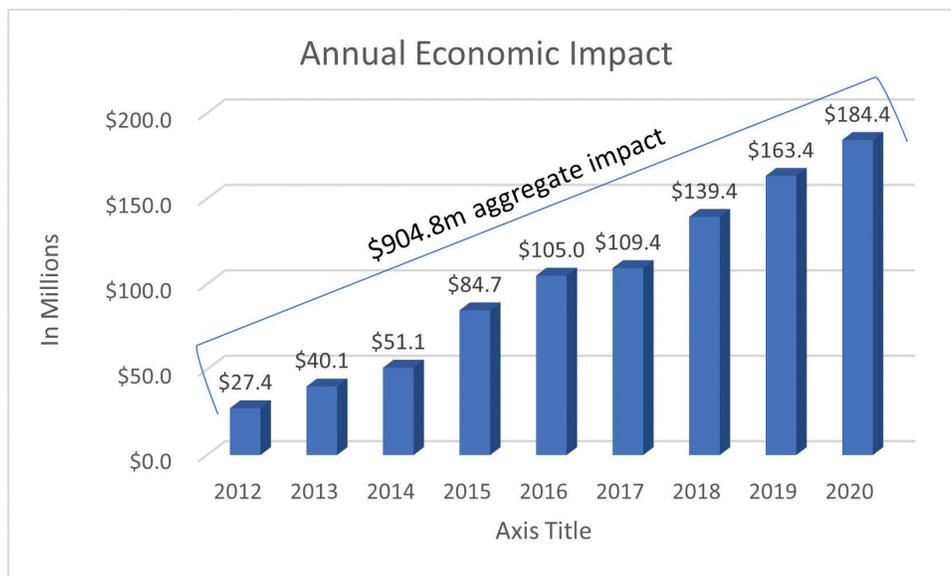
- » LHCC created a total economic impact of **\$904.8 million** in the state of Louisiana from 2012 to 2020, with a peak employment of 673 FTE jobs and peak total payroll of **\$56.7 million** including non-FTEs. It has **paid over \$278.4 million in direct wages** since it began operations. If employment for LHCC continues to grow, its annual economic impact will as well.
- » The organization accounted for nearly **\$38.6 million in total state and local tax revenue** for Louisiana entities over the 2012 to 2020 timeframe. This does not include state income tax or state + local sales tax for most operational spend, based on the unavailability of that data for this analysis.
- » Including indirect and induced jobs associated with LHCC's operations, the peak total jobs impact of LHCC was **1,283 employees** and nearly **\$85.0 million in total income impact** in 2020. Since the start of operations in 2012, LHCC has had a **total income impact of \$417.0 million** for the state.
- » LHCC's presence has financially supported a large number of households in Louisiana— at the peak of employment in 2020, its operations supported an estimated **1,100 households and 2,981 Louisiana residents**.
- » As compared to other in-state MCOs, LHCC's staffing model of a high number of FTEs per member has contributed significantly to the overall economic impact and tax revenue generated by its operations. Since 2012, we estimate the staffing model is responsible for an **additional \$98.4 million in economic impact** to the state versus the typical staff-to-member ratio of other MCO insurers.

# Impact of LHCC's Operations in Louisiana

The impact of LHCC's operations in Louisiana includes ongoing operations impact, value-based payments, and annual capital investments. Economic impacts measure the effects of economic stimuli or expenditures in the local economy. These impacts include an overall economic impact, an impact on jobs and supported populations, and tax revenue impacts for local and state governments. Indirect and induced impacts are the result of the multiplier effect and capture supported supplier and consumer businesses and their employees in the state that benefit from LHCC's operations.

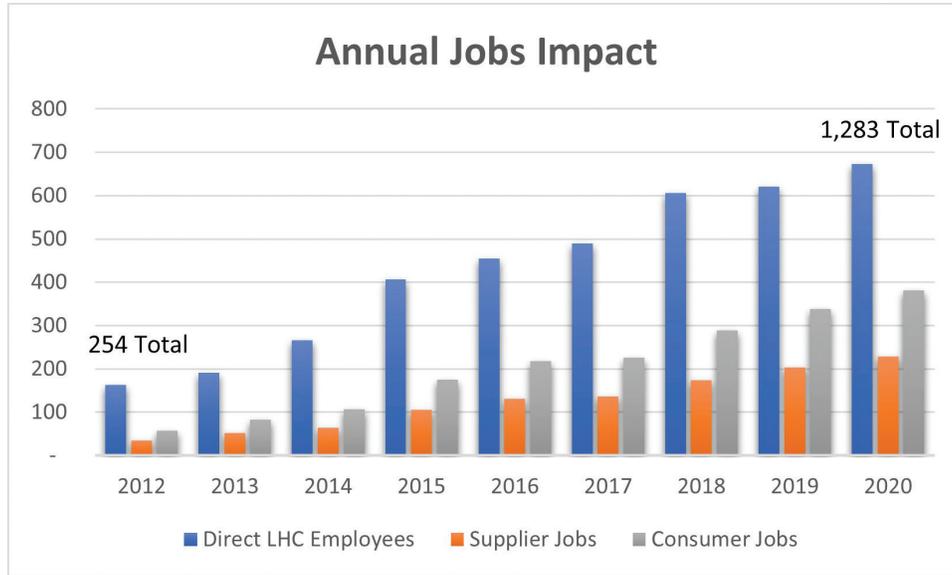
## A. Overall Economic Impact

LHCC's overall economic impact measures the level of economic activity the organization has spurred in Louisiana since its inception. The graph below is an annual representation of LHCC's annual economic impact from 2012 through the end of 2020. The organization's impact has grown significantly—its 2020 impact was more than 570% greater than that of its first years of operations, in significant part due to its increased labor footprint in-state. In the nine full years of operation in Louisiana, LHCC has had an economic impact of more than \$904.8 million, and based on its current trajectory, would pass \$1.0 billion in the aggregate in 2021.



### B. Jobs

In addition to its economic impact, LHCC’s direct and total jobs impact has also grown significantly over the last nine years. In 2020, the organization’s operations not only supported 673 FTEs at its five offices in Louisiana, but an additional 610 supplier and consumer jobs in-state through the multiplier effect. These 1,283 jobs represent a significant increase from the total jobs impact of 254 in 2012, the initial year of operation. The more than 400% increase in total job impact is another indicator of how significant LHCC’s presence has become within the state.



	2012	2013	2014	2015	2016	2017	2018	2019	2020
DIRECT LHCC EMPLOYEES	163	191	257	406	454	490	607	620	673
TOTAL JOBS IMPACT	254	326	437	686	802	852	1,068	1,161	1,283

### C. Income, Supported Population, and Households

The growth of LHCC’s operation and direct hiring also meant an increase in the number of individuals in Louisiana whose livelihoods are either directly or indirectly contingent upon the organization’s operations. As LHCC’s direct payroll increased over time, the total income impact grew as well, resulting in the support of a greater number of Louisiana families.

The table below represents not only the direct payroll costs of LHCC to employees, but also the overall impact of LHCC’s operations using industry multipliers. By the end of 2020, the organization’s payroll

approached \$57 million including FTE and non-FTE income, but the total income impact was over \$85 million for the state. Since 2012, LHCC has had an overall impact of \$417 million on Louisiana incomes.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	TOTAL
<b>DIRECT PAYROLL</b>	\$8.4M	\$12.3M	\$15.7M	\$26.1M	\$32.3M	\$33.7M	\$42.9M	\$50.3M	\$56.7M	<b>\$287.7M</b>
<b>TOTAL INCOME IMPACT</b>	\$12.6M	\$18.5M	\$23.5M	\$39.0M	\$48.4M	\$50.4M	\$64.3M	\$75.3M	\$85.0M	<b>\$417.0M</b>

This increase in total income impact in the state also means that LHCC's operations support more households and individuals now than in previous years. In its first years of operation, LHCC operations supported 218 households and 590 Louisiana residents. Nine years later, after rapid expansion, the operations support 1,100 households and nearly 3,000 residents in the state. The table below shows, by year, how many households and residents LHCC directly and indirectly supported.

	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>SUPPORTED POPULATION</b>	590	752	1,013	1,594	1,862	1,980	2,482	2,697	2,981
<b>SUPPORTED HOUSEHOLDS</b>	218	277	374	588	687	731	916	995	1,100

#### D. Tax Revenue Impact

In addition to the economic impacts mentioned in the preceding three sections, LHCC's ongoing operations continue to generate tax revenue for a number of local and state entities. Based on capital expenditures, employment, leases, value-based payments, and other spending, it's estimated that LHCC's operations have directly and indirectly generated nearly \$39 million in Louisiana tax revenues since 2012. In 2020, tax revenues generated from the above-mentioned activities were nearly \$8 million—*more than 602% greater than the tax revenue generated from year one*. It is also noteworthy that, due to data limitations, this analysis doesn't include state income taxes paid by LHCC, nor state and local sales tax for the organization's annual operating expenses.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	TOTAL
<b>LOCAL TAX REVENUE ESTIMATE</b>	\$560K	\$704K	\$1.5M	\$1.7M	\$2.1M	\$2.0M	\$2.6M	\$3.1M	\$3.5M	<b>\$17.8M</b>
<b>STATE TAX REVENUE ESTIMATE</b>	\$579K	\$877K	\$1.1M	\$1.9M	\$2.4M	\$2.5M	\$3.2M	\$3.9M	\$4.5M	<b>\$20.8M</b>

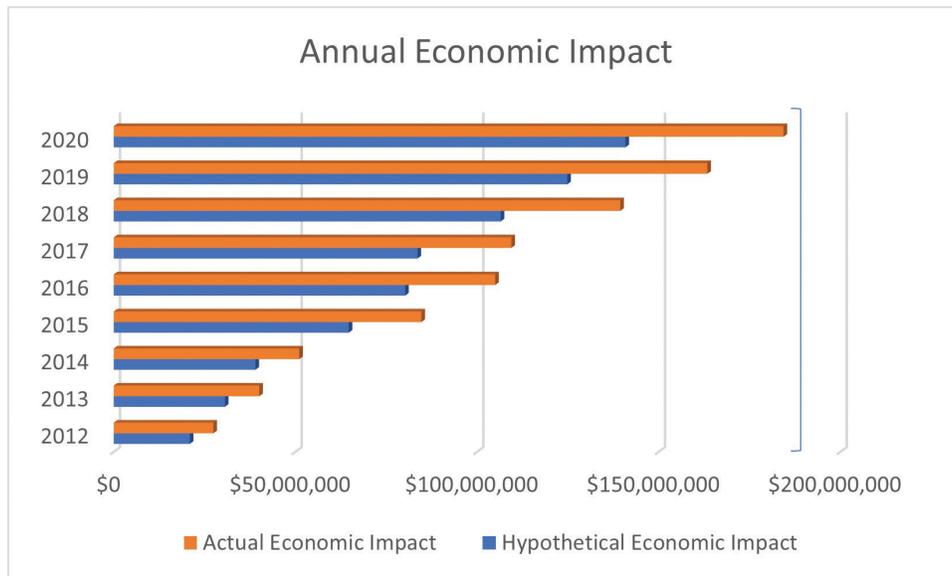
### E. Impact by Region

Because LHCC’s staff is relatively decentralized, in 2020 its impact was felt across south Louisiana. The heart of operations in Baton Rouge had nearly \$131 million in economic impact in the metro area alone last year, and directly and indirectly supported more than 900 jobs and \$60 million in income. A full table of the impact by metropolitan statistical area is below. **NOTE:** In addition to an office in Covington, LHCC also employs community-based staff in all regions of the state.

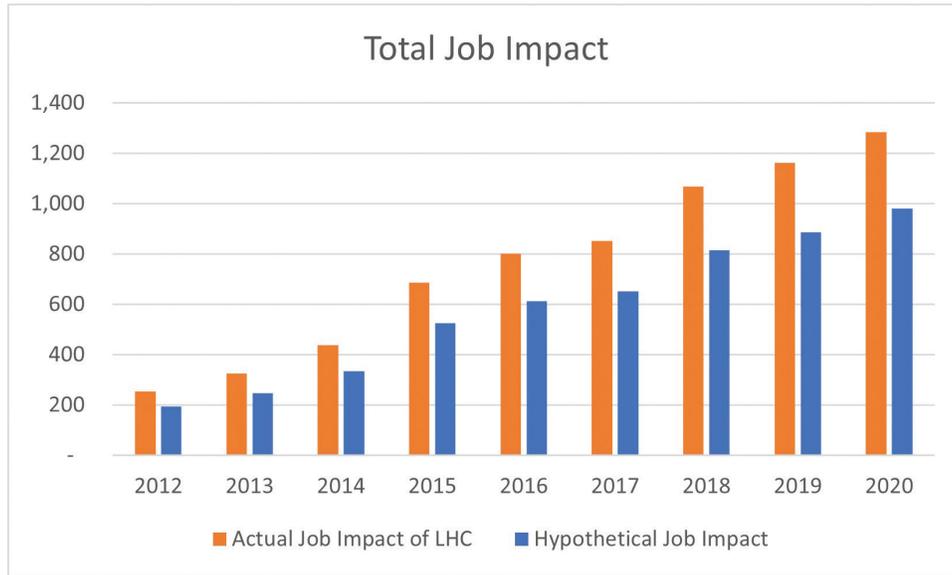
	BATON ROUGE	LAFAYETTE	NEW ORLEANS
ECONOMIC IMPACT	\$130,899,385	\$40,560,373	\$12,905,573
TOTAL JOBS SUPPORTED	911	282	90
TOTAL INCOME SUPPORTED	\$60,327,892	\$18,693,150	\$5,947,820

## Impact of LHCC’s High Staff-to-Member Ratio

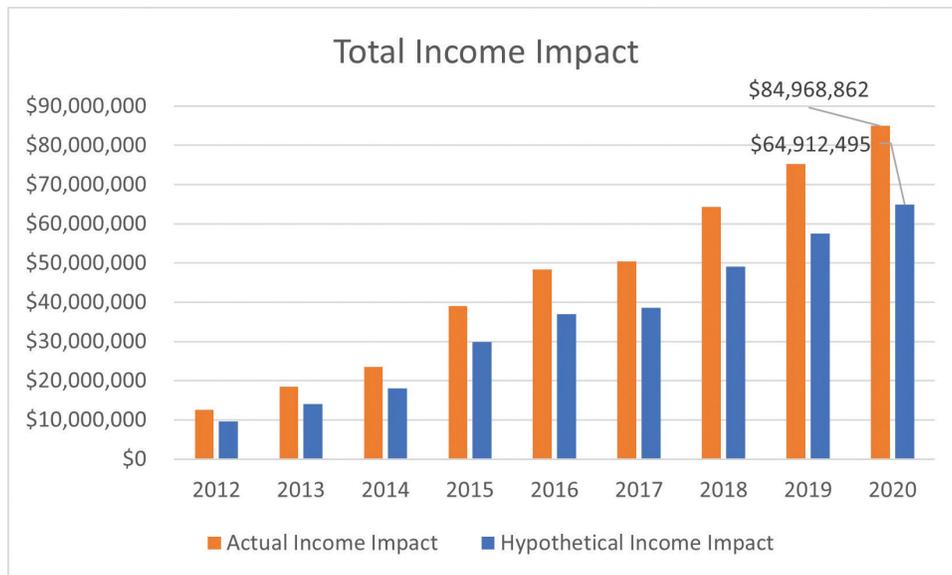
One reason for LHCC’s large economic impact is its higher staff-to-member ratio as compared to the average Medicaid health insurance provider in Louisiana. Based on 2019 data from the Medicaid Managed Care Transparency Report, LHCC has about 31% more FTEs per 1,000 members than other MCO providers in the state. With the same staff-to-member ratio as the average provider, its economic impact would be significantly less, as the chart below demonstrates.



A staffing reduction of FTEs would have also had a significant impact on indirect and induced jobs. When economic modeling is done using the same staff-to-member ratio as other insurers, there is a clear drop off between the actual jobs impact of LHCC’s operations and the hypothetical impact of the lower staffing number. This would have come to a peak in 2020, when LHCC’s operations would have had an impact of 303 fewer total jobs.



It follows suit that a diminished jobs impact would have also had a negative impact on total income impact of LHCC’s operations. A net negative impact would translate into millions of dollars of lost, in-state income every year, peaking in 2020, when total income impact would have been \$20.1 million less under the lower staff-to-member model. Altogether, since 2012, it would have resulted in \$98.4 million in total lost impact.



## Summary of Impacts

At the end of 2020, LHCC employed 673 FTEs and had over \$56.7 million in direct, annual payroll. The combination of ongoing operations impacts, capital expenditures, value-based payments, leases, and other spending resulted in a **total economic impact of \$904.8 million in the state of Louisiana** from 2012 through 2020, directly and indirectly supporting 1,283 jobs and \$85.0 million in total labor income. In addition, LHCC's operations have generated over \$38.6 million in local and state tax revenues, not including state income tax or some local and state sales taxes related to annual operations.



## Baton Rouge Area Chamber.

### ABOUT THE BATON ROUGE AREA CHAMBER

The Baton Rouge Area Chamber is an economic development organization with a footprint of the nine parishes in Louisiana's Capital Region. The organization's research team regularly engages in economic modeling and impact analyses for businesses in a number of industries, such as manufacturing, technology, healthcare, logistics and transportation, retail, utilities, and others. These findings have been presented to a number of local and state governmental entities throughout Louisiana.