Affordable Care Act Brief – Louisiana Economic Analysis

Plans to substantially change the Affordable Care Act (ACA) could present serious challenges for the financial sustainability of healthcare providers across Louisiana and the solvency of the state’s Medicaid program. These changes could also seriously limit access to healthcare services for low-income populations.

An economic analysis conducted by Dr. James Richardson of Louisiana State University in collaboration with the Louisiana Public Health Institute (LPHI) suggests that Medicaid expansion will result in a reduction of Louisiana’s cost-per-patient for non-elderly adults by more than 50 percent. Reductions in Disproportionate Hospital Share (DHS) payments without concurrent expansion of Medicaid could have significant financial impacts on Louisiana’s healthcare program including hospitals and community clinics, affecting Federally Qualified Health Centers (FQHCs) and Rural Health Centers (RHCs), clinics that provide medical assistance to low-income populations. Under Medicaid expansion state FQHCs should remain sustainable into the future and may experience financial benefits from expansion by reducing rates of uncompensated care. However, changes to Medicaid eligibility and/or reductions in federal and state grant funding could have a negative impact on FQHCs and the rest of the health care system.

Pre-Expansion Analysis of Louisiana Hospitals

The analysis conducted by the team pre-expansion (2013-2015) on the impact of expanding (or not expanding) Medicaid on Louisiana hospitals, particularly those in rural regions determined that:

**Cost Per Patient**
- Louisiana’s cost per Medicaid non-elderly adult patient is estimated to be $684 versus $1,388 per patient under a non-expansion scenario given a Federal Medical Assistance Percentage (FMAP) of 90 percent as defined in the ACA. That is assuming that, without the ACA, the federal government would maintain its assistance in caring for non-elderly adults who cannot afford or do not get insurance.

**Disproportionate Share Hospital (DSH) Payments**
- Louisiana, a high-DSH state, received approximately $732 million in DSH payments for FY 2014. A large percentage of the state’s DSH payments are used to fund charity hospitals/public-private partnership hospitals (i.e. Bayou Health).
- The ACA’s gradual reduction in DSH payments will severely affect budgeting for Louisiana’s healthcare program for low-income individuals if the state were to not expand Medicaid.
- Additionally, a significant portion of these DSH payments are provided to the state’s rural, critical access hospitals (CAH) which are particularly vulnerable to reductions in federal DSH payments in the absence of expanded Medicaid coverage.

Post-Expansion Analysis of Louisiana Clinics

The second analysis conducted by the team post-expansion in 2016, assessed the impact of Louisiana’s recent decision to expand Medicaid access on the state’s network of FQHCs. Representing more than 1,200 institutions nationwide, FQHCs are structured to provide primary health care services to the medically underserved and uninsured, regardless of their ability to pay. They do so in both rural and urban locations and include such institutions as community health centers, migrant health centers, healthcare for the homeless centers, public housing primary care centers, and outpatient health programs.1 Acting in the role of a safety net provider, FQHCs are funded primarily through a combination of Medicaid/Medicare reimbursements and grants from the Health Resources Services Administration (HRSA) to provide services to the uninsured. In Louisiana, approximately 34 health care providers, having more than 240 clinics in the

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state, are designated as FQHCs. These providers are located across the state in both rural and metropolitan areas. Recent estimates show that FQHCs in Louisiana treat approximately 15 percent of state residents, fulfilling a range of healthcare needs from preventative care to mental health services. In light of the state’s decision to expand Medicaid FQHCs will likely remain sustainable based on the following observations:

- FQHCs are significant healthcare providers and have been viewed as an integral component of the ACA. As such, they received major funding upon the Act’s passage. Specifically, Congress initially dedicated $11 billion to strengthen and expand the nation’s FQHC network following the passage of the ACA and recently extended this funding source through 2017.

- Second, while FQHCs initially and mainly provided health care services to the uninsured, they have also served as a key provider of services to those covered by Medicaid, Medicare and to some extent, private insurance. In light of this broader role, Louisiana’s decision to expand Medicaid will, in all likelihood, increase the percentage of patients covered by Medicaid and decrease the percentage of uninsured patients receiving services at FQHCs. National data show that FQHCs operating in Medicaid expansion states have higher per patient revenues than those in non-expansion states due in large part to the Medicaid reimbursement levels. All things being equal, we have no reason to expect that FQHCs in Louisiana will not experience a similar benefit.

Louisiana has a relatively large number of Medicaid enrollees, including children, elderly poor, and persons with disabilities as well as the new group of non-elderly adults with income less than 138 percent of the federal poverty level.

Map 1. Poverty and Household Income in Louisiana
FQHCs have been instrumental in providing service to these Medicaid enrollees. Any major changes to Medicaid program, either connected to the ACA or to the overall program that was initiated in 1965, would affect healthcare providers and FQHCs would be disproportionately affected since they service a large number of Medicaid enrollees.

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Map 2. FQHCs in Louisiana (Louisiana Primary Care Association, Inc.)

About the Louisiana Public Health Institute (LPHI)
LPHI, founded in 1997, is a statewide 501(c)(3) nonprofit and public health institute that translates evidence into strategy to optimize health ecosystems. Our work focuses on uncovering complementary connections across sectors to combine the social, economic, and human capital needed to align action for health. We champion health for people, within systems, and throughout communities because we envision a world where everyone has the opportunity to be healthy. For more information, visit www.lphi.org.