

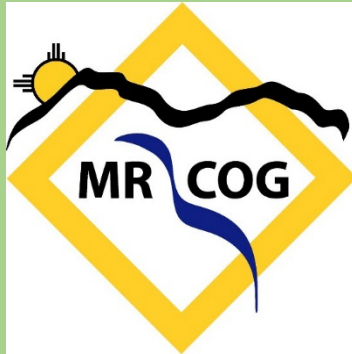
Everyone Wins:



Maximizing the Economic Benefits of Health Care Delivery in New Mexico

O'Donnell Economics and Strategy, May 2013

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U.S. ECONOMIC DEVELOPMENT ADMINISTRATION

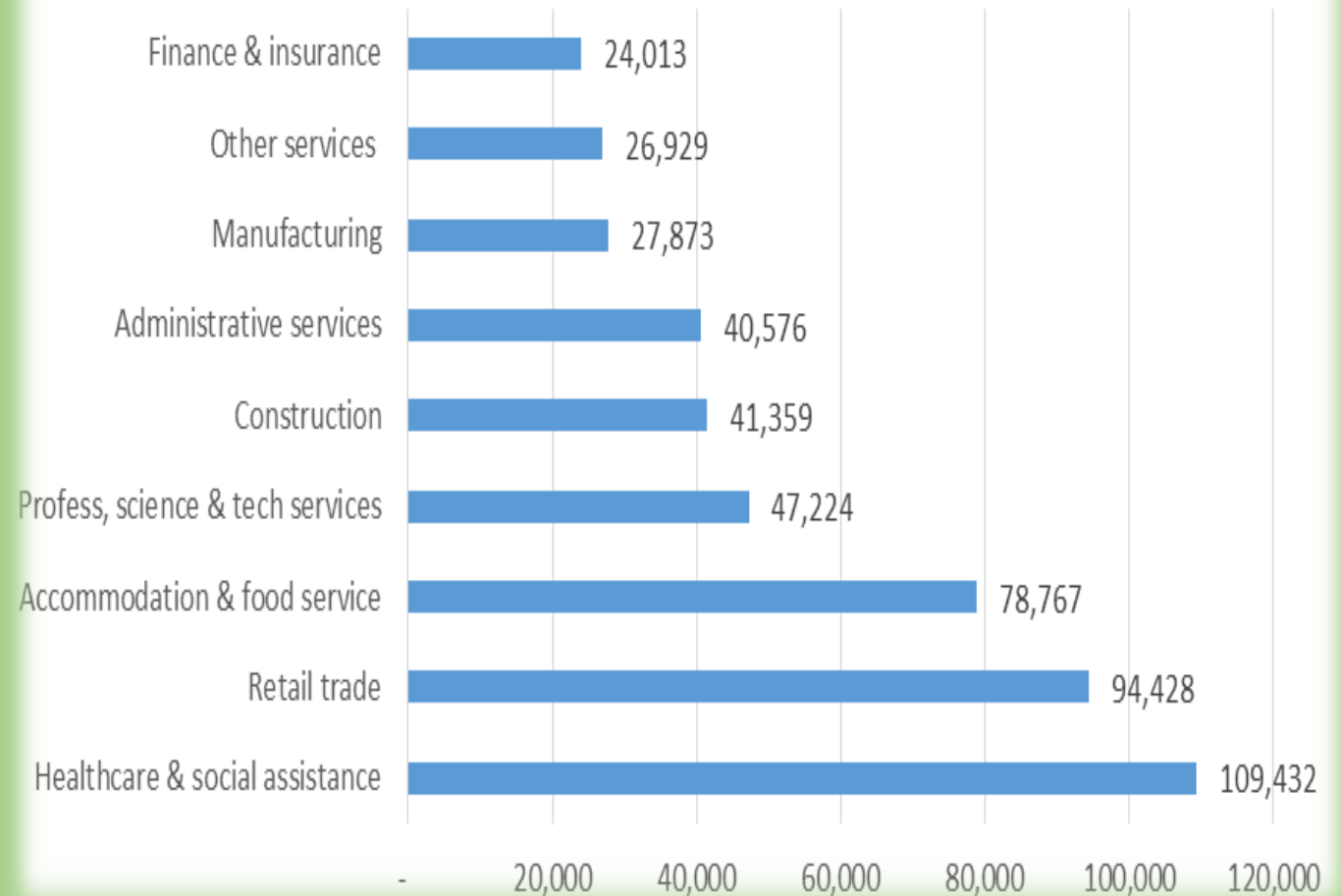
Presentation Overview

- Health care delivery is a core component of New Mexico's economic base
- The Affordable Care Act has the potential to vastly increase the economic benefits of health care in New Mexico
- The full economic potential of ACA will only be realized if increased access to health insurance translates into increased access to health care.
- To make this happen New Mexico must aggressively address its shortage of primary care providers.
- Health care delivery has not traditionally been the target of economic development efforts, but this needs to change.

Health Care Employs More New Mexicans than Any Other Industry

- 18% of all private sector jobs
- 20% of private sector payrolls.
- 109,000 private sector health care jobs
- 18,000 government jobs

New Mexico Private Sector Employment, 2010

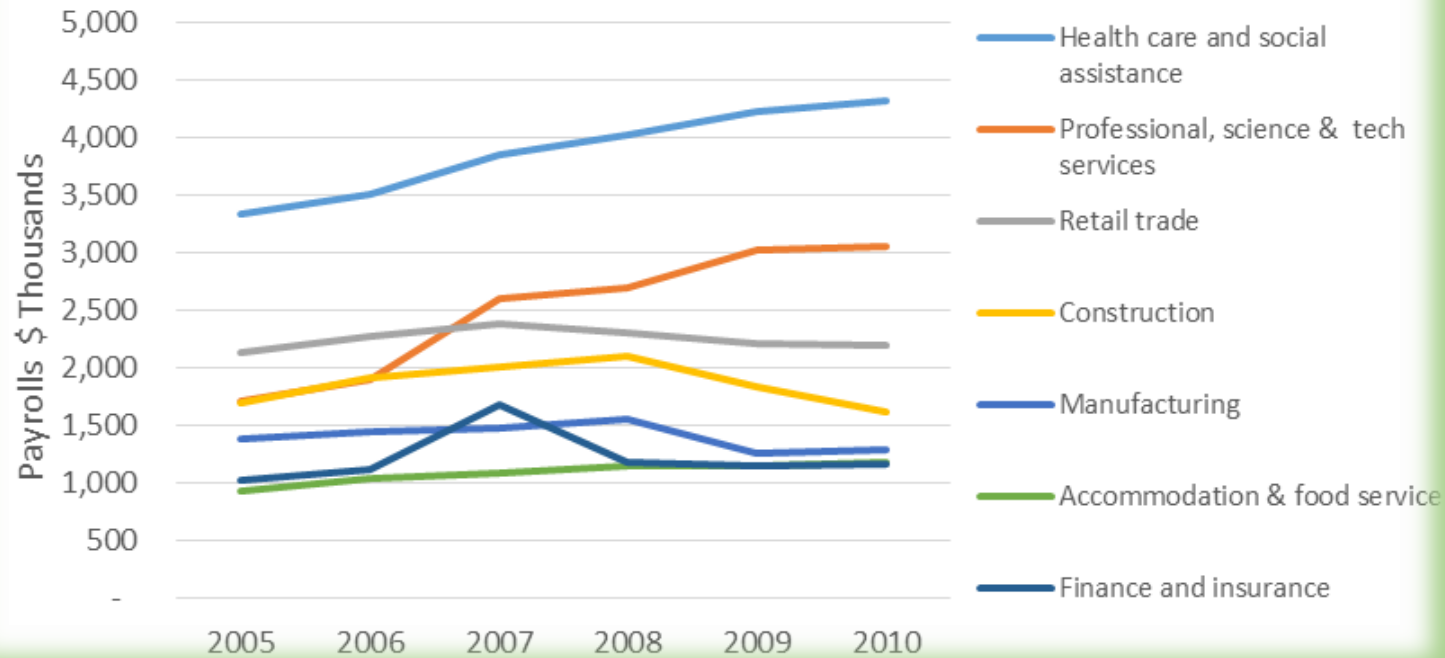


Health Care Drives State Job Growth

New Mexico Private Sector Job Growth by Industry 2005-2011	
Total	4,916
Health care & social assistance	13,809
Professional, science & tech services	11,455
Administrative services	2,102
Accommodation & food service	1,280
Other services	268
Retail trade	(615)
Finance & insurance	(653)
Manufacturing	(6,647)
All Other Private Sector	(7,415)
Construction	(8,668)
Source: US Bureau of Labor Statistics Quarterly Census of Employment & Wages	

Even during the height of the recession, from 2007 to 2009, when over 60,000 jobs were lost statewide, 7,000 new jobs were created in health care and social assistance.

New Mexico Private Sector Payrolls, 2005-2010



- Health care payrolls increased by 30%
- Total private sector payrolls increased by 17%
- Payrolls of many major employers stagnated or declined.

Three of New Mexico's five fastest growing occupations are in health care

NM Occupations Adding the Most Employment 2009-2019	
Personal & Home Care Aides	6,710
Home Health Aides	4,330
Retail Salespersons	3,440
Food Preparation & Servers	3,170
Registered Nurses	3,030
Source: New Mexico Department of Workforce Solutions	

Health care attracts more federal revenue than the National Labs

- About 45% of all New Mexico personal health care expenditures are paid for by the federal government directly.
- Health care draws over \$7 billion federal dollars into New Mexico each year, over twice as much as the federal government spends on Los Alamos and Sandia National Laboratories combined.

Economic Impact of New Mexico's Health Care Sector in 2010 (\$ millions)

Impacts	Employment	Income	Output
Direct	109,432	\$5,892	\$13,963
Indirect	35,880	\$1,420	\$4,205
Induced	49,165	\$1,734	\$5,183
Total	194,476	\$9,046	\$23,352

- 195,000 (about 1-in-5) jobs
 - Every 5 health care jobs support 4 jobs in other sectors.
- \$23 billion in economic activity
- \$9 billion in income
- \$734 million in state and local tax revenue

Additional Economic Benefits of Health Care

Recruiting Business and Attracting Skilled Labor

- Access to high quality health care helps determine where firms locate and high value employees live.
- A strong health care network can lower health care costs for firms and workers and provide access to services that increase employee productivity.

Workforce Productivity

- Chronic disease = lost productivity, absenteeism, high turnover and higher premiums for employee health insurance. New Mexico has higher-than-average rates of several chronic diseases, many of which can be effectively managed with consistent primary health care.

Limited Access to Health Care Constrains Economic Growth

- Over 1-in-5 New Mexicans (about 433,000 mostly non-elderly adults) are uninsured
- 17% of NM adults say that couldn't afford to see a doctor when they needed to.
- The uninsured use about 50% less health care than people with health insurance.
- NM adults have above-average rates of ambulatory-sensitive conditions and are less likely than other U.S. residents to get routine preventative care such as cancer screenings and dental checkups.
- The uninsured often delay treatment until they end up in ED or hospitalized with bills they can't afford to pay
- Health care costs for the uninsured are shifted to businesses and individuals through higher premiums. This "hidden tax" accounts for about 16 percent of the average family premium for employer coverage in NM, or about \$2,300 per year, 75% of which is paid by employers.

Provider Shortages Limit Access to Care

- 32 of 33 NM counties include one or more Health Professional Shortage Areas
- 41% (833,000 New Mexicans) reside in or are part of one of the state's 94 primary care HPSAs.
- 6 of 10 professions listed as “shortage” by NMDWS – RNs, LPNs, nurse practitioners, pharmacists, physical therapists and speech pathologists -- are in health care delivery
- NM ranks 49th of 50 states dentists per capita
- NM practitioner shortages estimated by Health Policy Commission:
 - 2,000 nurses
 - 2,000 physicians.
 - 400 - 600 in primary care.

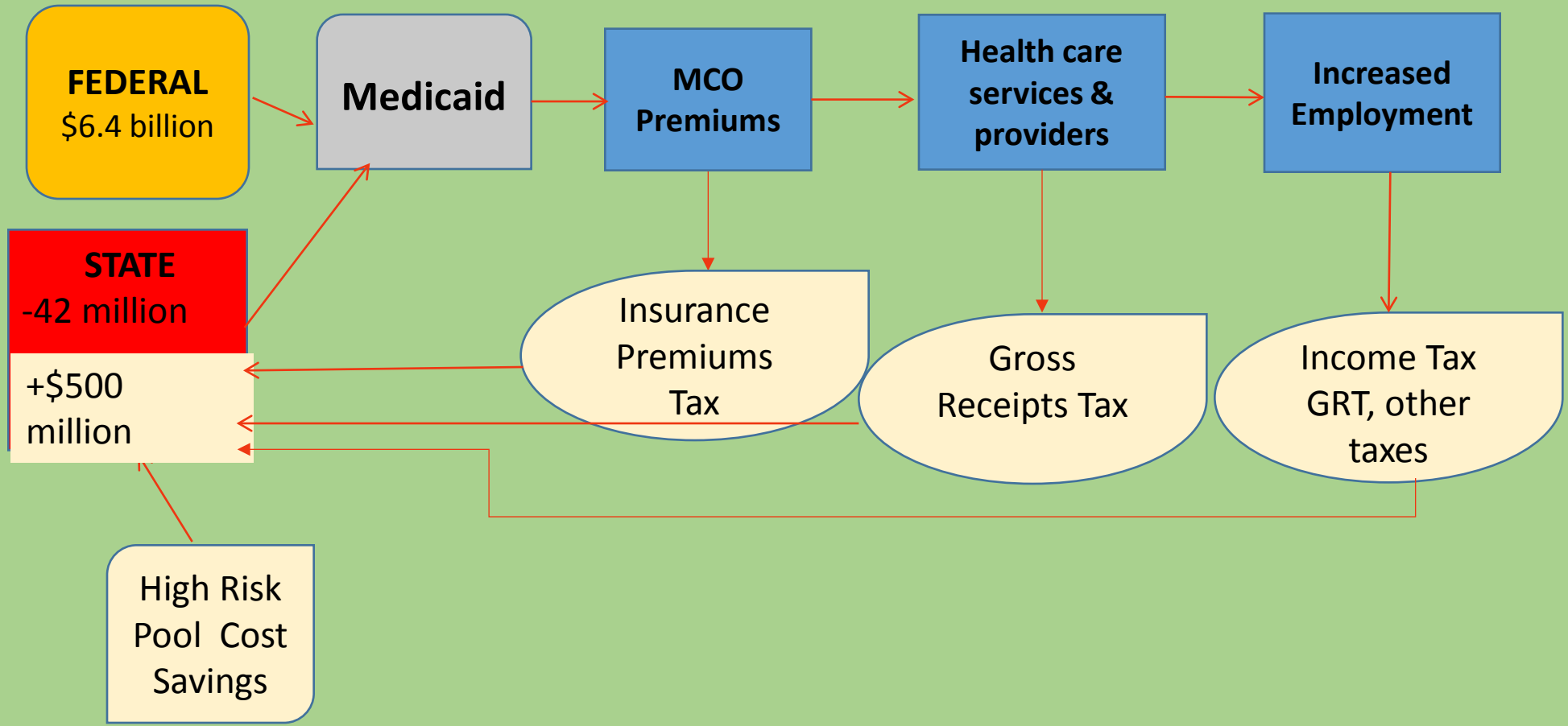
Primary Care is Key to Health Care Reform & an Economic Engine

- A rural PCP practice:
 - Creates 23 jobs
 - Generates \$1.8 million in annual total revenue
 - \$1 million is wages, salaries and benefits,
- NM spends about \$10 million annually on incentives to recruit and retain health care practitioners
- Health care delivery businesses qualify for almost none of the \$125 million that the state of New Mexico invests in economic development incentives each year.

The Affordable Care Act

- Could reduce the number of uninsured New Mexicans by over half, starting in January.
- Largest and most immediate impact will result from the expansion of New Mexico Medicaid to adults below 138% FPL(\$26,344 for a family of three).
- 46% of uninsured New Mexicans have income below 138% FPL
- Over 130,000 New Mexicans could obtain health insurance as a result of the Medicaid expansion alone.
- The federal government will pay almost 100% of the cost in the early years of the expansion and 90% thereafter.
- Release of “pent up demand” by newly insured will dramatically increase utilization of ambulatory health care.

The Medicaid expansion will cost NM \$42 million but generate over \$500 million in cost savings and tax revenue



Medicaid Expansion Employment Impact

Medicaid expansion will create over 3,000 new jobs in the first full year of implementation and support about 13,000 additional jobs by 2020.

Two-thirds job creation will be in the health care delivery, the remaining 1/3rd will be distributed throughout the New Mexico economy.

Economic Impact of Affordable Care Act (ACA) Medicaid Expansion (\$ millions)						
	2014			2020		
	Employment	Income	Output	Employment	Income	Output
Direct	1,751	\$113	\$239	7,240	\$452	\$944
Indirect	546	\$21	\$58	2,155	\$82	\$227
Induced	903	\$32	\$95	3,586	\$127	\$378
Total Impact	3,199	\$166	\$391	12,981	\$660	\$1,549

Source: Author calculations using Medicaid enrollment projections from the New Mexico Human Services Department, Medicaid expenditure data from the Centers for Medicare and Medicaid Services and IMPLAN™ software

RECOMMENDATIONS FOR ECONOMIC DEVELOPMENT

- Recognize the importance of health care as an economic base industry in its own right and promote it as aggressively as other economic base industries.
- Revamp state and local economic development incentives (including tax credits, training and wage subsidies and capital improvement financing) to recruit, retain and expand health care businesses and professionals
- Advocate for new incentives that strengthen the health care workforce and encourage wellness and wellness programs.
- Support health care workforce initiatives in higher education
- Become educated about the impact of health professional licensing and regulation on health care supply, and advocate, as appropriate, for regulatory policies that increase the number of providers and access to care.
- Recruit wellness-oriented businesses that will contribute to the community's health landscape and the health of its workforce.
- Facilitate collaboration between businesses that want to pool their resources to establish employee health clinics and/or wellness programs