

Montana Medicaid and Montana Employers



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A Joint Report by the Montana Department of Revenue
and the Montana Department of Labor & Industry

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Executive Summary

This report includes information on the businesses who have employed workers who were also enrolled in Montana Medicaid, using data from the Montana Departments of Revenue and Labor & Industry from 2016 and 2017. These two agencies collaborated on this report to enhance the understanding of how the Montana Medicaid program interacts with the Montana economy. This report only includes data on adults 19 and older under 138% of the federal poverty line that were made eligible for Medicaid under the 2015 HELP Act, also known as the Medicaid expansion population. This program is referred to as Montana Medicaid. Highlights of the report include:

- Nearly 18,000 businesses employed a worker who was enrolled in Montana Medicaid.
- 57% of Montana businesses in 2017 had workers enrolled in Montana Medicaid.
 - Over half of these businesses had between 11% and 50% of their workforce covered by the program. About 2,100 businesses had over 50% of their employees enrolled in the program.
- Roughly 7 out of 10 of the Montana Medicaid population are working, and 8 out of 10 are in working families. Among those not working, over 1 in 3 are ill or disabled. The remainder reported caring for family or working out of the home, in school, or had another reason.
- Roughly 16% of Montana's private sector workforce had health insurance provided by Montana Medicaid.
- 84% of Montana private sector workers had at least one co-worker enrolled in Montana Medicaid in 2017.
- Firms that employ workers enrolled in Montana Medicaid are in every county, in every industry, and can be small or large.
 - In every county, at least 30% of private businesses employed Montana Medicaid participants.
 - 98% of Montana businesses with more than 50 employees had at least one employee enrolled in the program. However, most businesses employing Montana Medicaid clients were small businesses.
 - Nearly 90% of employers in the accommodations and food service sector have employees enrolled in Montana Medicaid.
 - Over half of construction firms had employees enrolled in Montana Medicaid.
 - 67% of retail businesses, including gas stations, had at least one employee enrolled in Montana Medicaid.
- Employers benefit from Montana Medicaid through the cost avoidance of not paying for private health insurance, by avoiding tax penalties, and by having healthier employees entering the employer's insurance pool.
 - If employers had privately insured all workers enrolled in Montana Medicaid in 2017, the cost would have been \$353.6 million to \$941.2 million.
 - Without Montana Medicaid, Montana employers would be subject to tax penalties estimated to be \$11.1 million to \$16.7 million.
- Businesses with workers covered by Montana Medicaid paid corporate taxes of \$630 per employee compared to \$1,380 per employee for businesses without workers on Montana Medicaid.
 - Employers would have paid roughly \$5,600 per employee for private employer-based insurance coverage.
- Overall, corporate income taxes fund less than 0.5% of the costs of Montana Medicaid.

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Since the passage of the Montana Medicaid program during the 2015 Legislative Session, the program has proved to be beneficial to both participants and to the Montana economy.¹ Research by the Bureau of Business and Economic Research suggests the program adds roughly 5,000 jobs and \$270 million in personal income to the Montana economy annually, with economic benefits that exceed the cost paid by the state for the program. The study suggests that additional economic benefits may also occur from lower crime, fewer bankruptcies, and better health outcomes. Finally, the report concludes that the legislation has increased labor force participation by 6-9% among low-income Montanans, a significant and critical increase needed during the current tight labor market.²

This report provides further information on how Montana Medicaid interacts with the Montana economy and the businesses that employ workers enrolled in the program. This report includes data on adults 19 and older made eligible for Medicaid coverage under the 2015 HELP Act legislation, and refers to the program covering these adults as Montana Medicaid. The Montana Departments of Revenue, Public Health and Human Services, and Labor & Industry have collaborated on this research using enrollment, wage, and tax liability information from 2016 to 2017. Tax and wage data from 2018 is not yet available.

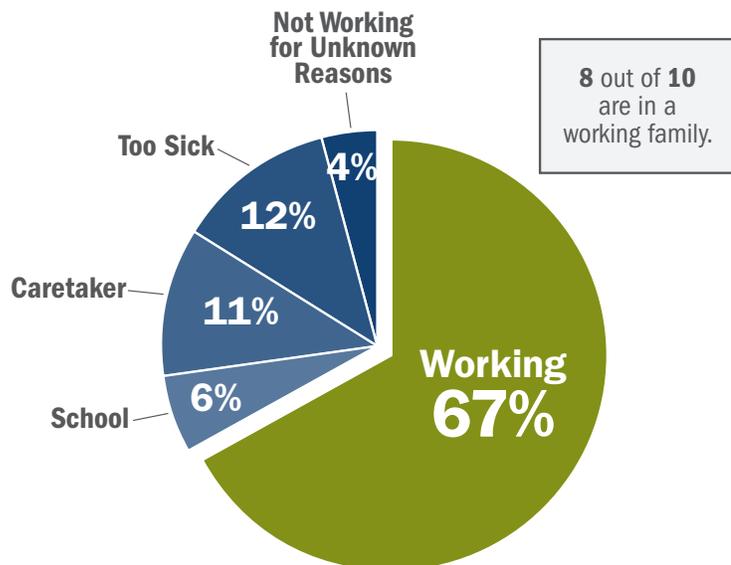
This report only includes data on adults 19 and older under 138% of the federal poverty line that were made eligible for Medicaid under the 2015 HELP Act, also known as the Medicaid expansion population. This program is referred to as Montana Medicaid.

Nearly 1/10th of Montana residents are enrolled in Montana Medicaid in any given month.³ Research from the Kaiser Family Foundation and confirmed by the Montana Department of Labor & Industry finds that 7 out of 10 Montana Medicaid clients work.⁴ Further, only 37.4% of Montana private sector establishments offer health insurance.⁵ Therefore, it is unsurprising that 57% of Montana businesses employed workers who were simultaneously enrolled in Montana Medicaid in 2017. Business in every county, in every industry, and of all size classes employ workers who are covered by the program. Over 80,000 Montana Medicaid clients were employed at the same time as they were enrolled in 2017. This report provides details about working Montana Medicaid clients and the businesses that employ them. In addition, the report compares available data on the costs and benefits of public provision of health insurance for these employees compared to the costs that would be incurred through private employer-provided insurance.

Working Montana Medicaid Clients

Research from the Kaiser Family Foundation finds that 7 out of 10 of Montana Medicaid clients work and 8 out of 10 live in working families.⁶ Among those who are not working, 37% are ill or disabled, 33% are caretaking for a family member, and 18% are attending school, as shown in **Figure 1**.

Figure 1: Employment Status of the Montana Medicaid Population



Source: Garfield et al, 2018.

The Montana Department of Labor & Industry confirmed the results of the Kaiser research, finding that 67% of Montana Medicaid clients were employed.⁷

Using Medicaid enrollment data matched to employment records from the Unemployment Insurance program, the Department of Labor & Industry identified **80,259 individuals who were employed while they were enrolled in Montana Medicaid in 2017.**⁸ The appendix includes additional details on this data match. The number of people concurrently on Montana Medicaid and working was slightly less in 2016, at 63,917, due to fewer clients in the program. **Figure 2** illustrates the number of workers by year.

Figure 2: Count of Montana Medicaid Employers and Employees by Year

	2016	2017
Employees on Montana Medicaid	63,917	80,259
Private Employees on Montana Medicaid	59,197	74,329
Private Businesses Employing Workers on Montana Medicaid	13,927	15,358
Percent of All Private Businesses	51.8%	57.2%

Source: 2018 DLI & DOR Montana Medicaid Data Match

Over 80,000 individuals were insured by Montana Medicaid while working for a Montana employer. However, this figure indicates the number of workers, not the number of jobs. Many low-wage jobs have frequent turnover, resulting in multiple workers holding the same job during the year. In fact, across all workers and jobs in the state, an average of about 90,000 Montanans started a job in each quarter in 2017, and slightly fewer workers separated from their job each quarter, resulting in steady increase in average employment.⁹

Further, the 80,000 count is not comparable to Montana Medicaid enrollment, which is an average over months and does not count specific individuals. Not all workers are enrolled in Montana Medicaid for the entire calendar year; wage increases or the provision of private employer insurance can result in the worker exiting the program. However, to make this figure comparable to other employment numbers, the 80,000 number was transformed to the average number of enrolled workers per quarter per employer. This transformation allows this report to compare the number of working clients to commonly used payroll employment statistics, and to calculate the share of employment enrolled in Montana Medicaid within each business. More details on this transformation are available in the appendix. Once converted to annual averages, **roughly 16% of the private sector workforce had health insurance provided by Montana Medicaid in 2017.**

Employers of Montana Medicaid Clients

The number of businesses who employed at least one Montana Medicaid worker was 13,927 in 2016 and increased to 15,358 in 2017, with significant employer overlap in both years. **Since the expansion of Medicaid in 2016, nearly 18,000 Montana businesses have had employees enrolled in the program for their health insurance coverage.** Many of these employers likely also offered employer-based insurance to some of their employees, but limited the eligibility to full-time, full-year workers or after probation periods. In Montana, only about 58% of private sector employees are eligible for health insurance offered by their employer, with the remainder either not eligible for their employer insurance, or working for a firm that does not offer insurance.¹⁰ Firms that employed at least one worker enrolled in Montana Medicaid also employ workers not covered by Medicaid, with employment in these businesses roughly 84% of all private sector employment. In other words, **84% of Montana private sector workers had**

at least one coworker enrolled in Montana Medicaid. **Figure 2** illustrates the number of employees enrolled by year, along with the percent of all Montana businesses with at least one employee insured by the program. **57% of Montana businesses employed workers who were simultaneously enrolled in Montana Medicaid in 2017.**

Montana Employers Benefit from Montana Medicaid

Many employers do not offer health insurance for all employees, particularly workers employed on a seasonal, temporary, or part-time basis, or to recently-hired workers still in their probation period. In fact, only 73% of private sector employees work at a business that offers health insurance, and only about 80% of employees at businesses that offer insurance are eligible to receive the insurance.¹¹ Limiting employee health insurance provision saves on business costs. According to the 2017 Medical Expenditure Survey, the average cost to the employer for single employee coverage was \$5,641, with the employer cost increasing to \$13,087 for family coverage. **Figure 3** illustrates the average cost for employer-based insurance plans in Montana.

Montana Medicaid insures eligible workers not covered by their employer’s health insurance plan, assuming the cost of coverage. **If employers had insured all workers enrolled in Montana Medicaid in private, employer-based health insurance plans, the estimated cost to employers would have been \$353.6 million to \$941.2 million in 2017,**

depending on the type of insurance plan provided (single or family). This estimate only includes the cost to the employer (not including the employee contribution), and prorates the average cost for part-year employees, assuming the employee would only be covered by the employer’s plan during the weeks worked. More details on this calculation are provided in the appendix.

Not all employees are eligible for their employer’s health insurance, but many of those enrolled in Montana Medicaid likely would meet eligibility requirements if insurance were offered. Roughly half of workers enrolled in the program work year-round, and an estimated 43% of them likely work full-time, year-round.¹² The costs to businesses of providing employer-based insurance to just those estimated to be full-time, year-round workers would be about \$195 million to \$453 million. In their 2018 report, the Bureau of Business and Economic Research also found that businesses would have faced higher costs to insure employees without Montana Medicaid, estimating that 8,700 workers would have been covered by employer-provided insurance in the absence of the program.¹³ Using the 2017 average cost to the employer of providing insurance, the cost savings to businesses would range from \$49 million to \$114 million, depending on the plan type.

Businesses would also face higher tax penalties without the coverage provided by Montana Medicaid to their employees. The Affordable Care Act (ACA) established penalties for large employers if they did not offer access to affordable health insurance for their full-time employees (referred to as the “shared responsibility” provisions). Employers with 50 or more full-time employees must offer health insurance

Figure 3: Montana Costs for Employer-Provided Insurance Plans

Plan Type	Average Total Premium	Average Employee Contribution	Average Cost to Employer
Single	\$6,763	\$1,122	\$5,641
Family	\$17,932	\$4,845	\$13,087
Single + One	\$12,274	\$3,279	\$8,995

Source: 2017 Medical Expenditure Panel Survey

that is affordable and offers minimum value to 95% of their full-time employees and their children up to age 26, or be subject to penalties.¹⁴ If employers are in a state that does not allow Medicaid enrollment for employees between 100-138% of the federal poverty line, employers face shared responsibility penalties.¹⁵ Research by Jackson Hewitt suggests that **if Montana Medicaid did not exist, Montana employers would be subject to tax penalties equal of \$11.1 million to \$16.7 million.**¹⁶

The above estimates provide several methods of determining the value of Montana Medicaid to employers with employees enrolled in the program, with three potential estimates of the large avoided cost of providing employer-based insurance and a minimum estimate of avoiding tax penalties. In addition to these avoided costs, the program likely provides benefits to all employers by reducing payments from the employer’s insurance pool. Newly-hired workers enrolled in Montana Medicaid are more likely to have participated in preventative health measures due to having coverage, and are less likely to have pent-up demand (a backlog of unaddressed health problems).¹⁷ The Centers for Medicaid & Medicare Services estimate that the pent-up demand costs were roughly \$400 per client.¹⁸ If all 80,000 workers insured by Montana Medicaid in 2017 were offered health insurance from their employer, and had pent-up demand costs of \$400 per client, the health insurance pools of Montana employers would collectively be paying out an additional \$32 million in services.¹⁹ **Therefore, all employers likely benefit from avoided costs with Montana Medicaid.**

Employer Benefits Compared to Costs through Tax System

A comparison of income tax liability to the value of insurance provided suggests the benefits to businesses outweigh costs. Montana employers face costs from Montana Medicaid because it is funded with tax dollars. Over 94% of costs in state fiscal year (SFY) 2018 were paid with federal tax dollars, with roughly 6% of the costs paid for with state dollars.²⁰ Employers with at least one employee on Montana Medicaid paid taxes equal to \$122 million in 2017, and \$116 million in 2016, as shown in **Figure 4**. However, only

Figure 4: Tax Liability of Montana Medicaid Employers and Other Employers by Year

	2016		2017*	
	Montana Medicaid Employers	Employers with NO Workers on MT Medicaid	Montana Medicaid Employers	Employers with NO Workers on MT Medicaid
Montana Taxable Income	\$1,649,177,000	\$812,180,000	\$1,760,346,000	\$574,057,000
Montana Tax Liability	\$116,036,000	\$60,440,000	\$121,916,000	\$45,294,000
Average Tax Liability Per Business	\$11,662	\$6,806	\$11,437	\$5,913
Average Tax Liability Per Employee	\$606	\$1,472	\$631	\$1,378
Tax Liability Paid to Montana Medicaid**	\$1,972,612	\$1,027,480	\$2,072,572	\$769,998
Average Tax Liability Per Business Paid to Montana Medicaid**	\$198	\$116	\$194	\$101
Average Tax Liability Per Employee Paid to Montana Medicaid**	\$10	\$25	\$11	\$23

*Preliminary. **Assuming 1.7% of state tax dollars go to Montana Medicaid based on Legislative Services Division data. Source: DLI & DOR Medicaid Data Match, 2018. Employer counts include only businesses with tax liability that matched to tax records, not the full set of employers of workers enrolled in Montana Medicaid. See appendix for details.

about 1.7% of general fund dollars were used to fund Montana Medicaid in SFY 2018.²¹ **Therefore, only \$2.07 million of the state tax dollars paid by employers with workers enrolled in Montana Medicaid was directed towards the program, costing the employers less to pay for the program than the estimated tax penalties of \$11.1 million to \$16.7 million that would be incurred without Montana Medicaid.** Compared to the costs of offering health insurance at a cost of \$5,600 per employee, employers with workers enrolled in Montana Medicaid pay roughly \$11 per employee annually to fund Montana Medicaid.

Employers with employees covered by Montana Medicaid typically have lower tax liability per employee than employers without any employees enrolled in Medicaid, suggesting that the health insurance option of these businesses is subsidized by other tax-paying employers. However, the average tax liability per business for those with workers on Montana Medicaid is higher, so this conclusion depends on the metric used for comparison.

Another way to compare the benefits and costs to the employer is to look at the per client costs of Montana Medicaid from different funding mechanisms. This analysis uses data provided by the Department of Health and Human Services and shown in **Figure 5**. For SFY 2018, the per client costs for the program were primarily incurred by federal taxpayers, with federal funds covering 96% of costs. The program also receives funding from the hospital utilization fee (a fee of \$50 per inpatient bed per day paid by patients and collected through hospitals). Only \$28.15 per month per client comes from state general fund revenues (the hospital utilization is directed into a special revenue fund, not the general fund). In other words, **the annual state cost of providing Montana Medicaid to a worker was about \$305. In comparison, the annual average cost to the employer of providing employer-based insurance to that worker was \$5,641, and the annual estimated avoided cost of potential tax penalties was \$2,000 to \$3,000 per employee.**²²

Figure 5: Costs of Montana Medicaid per Client per Month for State Fiscal Years 2017-2018

Medicaid Expansion Per Member Per Month - SFY 2017				
Expenditure Category	Tax Revenue	State Funds	Federal Funds	Total
Administrative Costs	-	\$13.96	\$13.96	\$27.92
Hospital Utilization Fee	\$8.38	-	\$159.24	\$167.62
Benefits	-	\$14.19	\$465.35	\$479.54
Total	\$8.38	\$28.15	\$638.55	\$675.08

Medicaid Expansion Per Member Per Month - SFY 2018				
Expenditure Category	Tax Revenue	State Funds	Federal Funds	Total
Administrative Costs	-	\$11.93	\$11.93	\$23.86
Hospital Utilization Fee	\$9.71	-	\$155.13	\$164.84
Benefits	-	\$13.51	\$442.86	\$456.37
Total	\$9.71	\$25.44	\$609.92	\$645.07

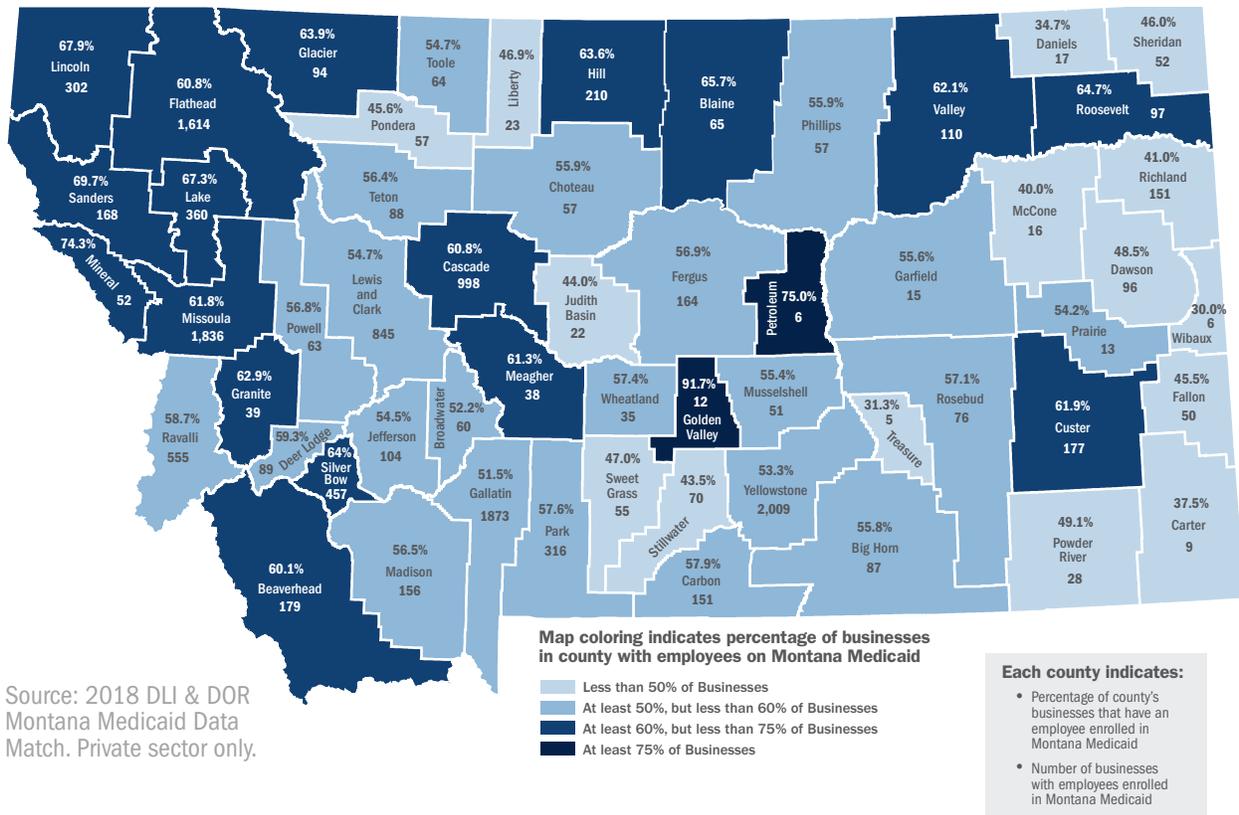
Source: Johnson, Erica. Department of Health and Human Services, information request on Dec. 12, 2018.

Montana Medicaid Employers by Characteristic

Businesses employing Montana Medicaid clients represent 57% of all businesses in 2017. Businesses in every industry, in every county, and in every size class employed workers insured by the program. Every county had at least 30% of their businesses employing Montana Medicaid enrollees.

Figure 6 illustrates the number Montana Medicaid employers by county and the share of the county's businesses that employed at least one worker on Montana Medicaid. The number of businesses in the county is listed in the county along with the percent.

Figure 6: Businesses Employing Workers Enrolled in Montana Medicaid



Source: 2018 DLI & DOR Montana Medicaid Data Match. Private sector only.

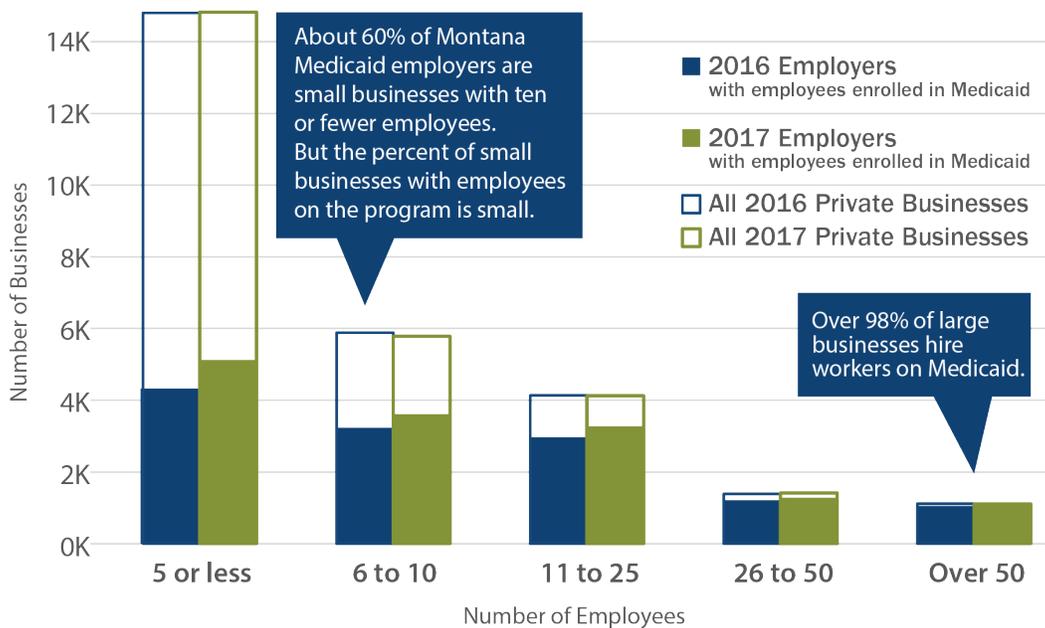
The number of businesses with workers covered by Montana Medicaid was generally higher in the more urban counties because of the higher number of businesses overall and the higher concentration of businesses in the retail, food establishments, and accommodations industries (these industries have a high rate of employing workers who are insured by the program). The rural counties displayed a wide range of utilization of Montana Medicaid for employee health insurance, with large variance because of a smaller number of businesses overall. Over 90% of businesses in Golden Valley employed Montana Medicaid clients, the highest percentage of any county in the state. Other counties with over 70% of businesses employing Montana Medicaid enrollees included Mineral and Petroleum County. Wibaux County had the lowest percentage of businesses employing Montana Medicaid clients at 30% of businesses. Other counties with less than 40% of their businesses employing Montana Medicaid workers were Treasure, Daniels, and Carter.

Montana Medicaid Employers by Business Size

In general, the provision of private health insurance tends to increase with business size, with nearly all (95.2%) businesses with over 50 employees offering health insurance to at least some of their employees (roughly 80% of employees at Montana large businesses are eligible for insurance).²³ Larger businesses were more likely to provide health insurance even before the passage of the ACA, but this legislation implemented penalties for employers with 50 or more employees if they did not provide affordable coverage.²⁴ Consistent with this trend, **most of the businesses employing Montana Medicaid enrollees were small businesses, with over 62% of the businesses having less than 10 employees.** Figure 7 illustrates the number of businesses employing Montana Medicaid recipients by employment size. About 2,500 businesses employing workers insured by the program had over 25 employees.

However, Montana businesses tend to be small, and there are many more small businesses than large businesses. When considered as a percent of businesses in that size category, small businesses have a lower likelihood of having an employee on Montana Medicaid. **Nearly all (98%) Montana businesses with more than 50 employees have at least one employee enrolled in Montana Medicaid.** Among small businesses with 10 or fewer employees, around 47% of businesses have staff enrolled in the program.

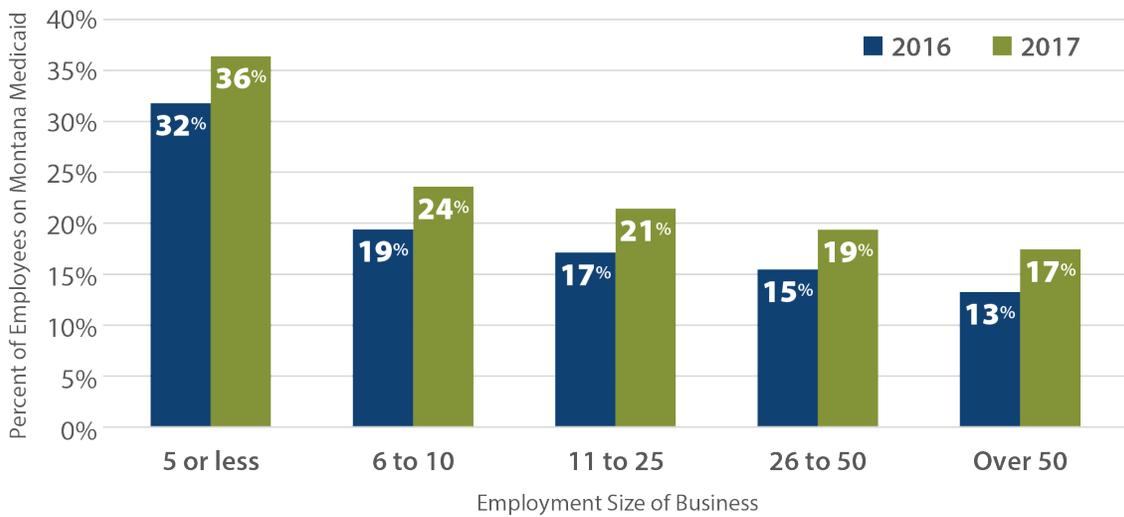
Figure 7: Montana Businesses Employing Montana Medicaid Clients by Size



Source: 2018 DLI & DOR Montana Medicaid Data Match. Private sector only.

Nearly all large businesses (those with 50 or more employees) have at least one worker on Montana Medicaid, but large employers also tend to be more likely to offer insurance to their employees. The combination of these facts suggests large businesses likely provide health insurance to some of their employees, but exclude low-wage, part-time, or seasonal workers from their insurance pool. Within large businesses that have employees enrolled in Montana Medicaid, 17% of their staff is enrolled in the program. On the other hand, small businesses with less than 10 employees have a higher share of their employees enrolled in the program, up to 36% in 2017, as illustrated in Figure 8.

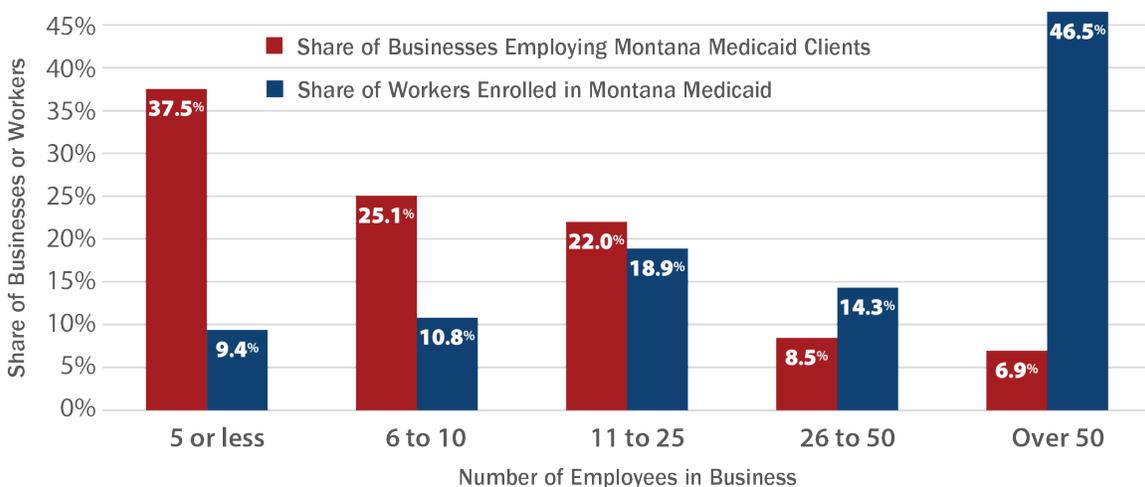
Figure 8: Percent of Employment Enrolled in Montana Medicaid by Business Size



Source: 2018 DLI & DOR Montana Medicaid Data Match. Private sector only.

Even though only 17% of the employees of large businesses are enrolled in Montana Medicaid, there are more people employed at large businesses than small businesses. **Figure 9** illustrates the distribution of employers of workers enrolled in the program by size class. **Nearly half of all workers enrolled in Montana Medicaid are employed by businesses with 50 or more employees**, even though there are not very many large businesses in Montana. **Over half of businesses with workers enrolled in Montana Medicaid are small businesses with 10 or fewer employees**, but these businesses employ 20% of the population of workers who are insured by the program.

Figure 9: 2017 Montana Medicaid Employing Business, Businesses vs. Employment

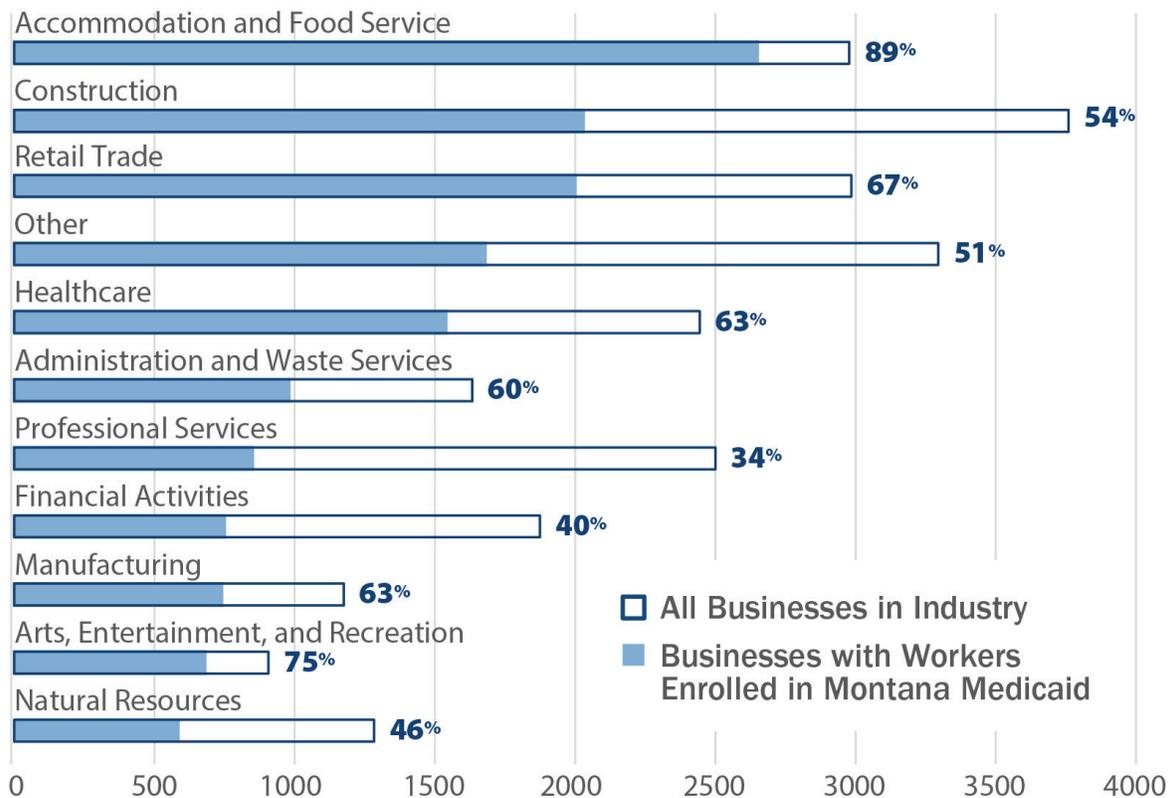


Source: 2018 DLI & DOR Montana Medicaid Data Match. Private sector only.

Montana Medicaid Employers by Industry

When broken down by industry, businesses in sectors that tend to pay lower wages were significantly more likely to have employees enrolled in the program. **Nearly 90% of businesses within the accommodation and food service industry had at least one employee on Montana Medicaid in 2017.** The accommodations and food service industry includes businesses like hotels or fast-food and full-service restaurants. Construction and retail trade also had a high number of employers with Montana Medicaid clients; 54% of firms within the construction industry had a worker participating in Montana Medicaid, compared to 67% of retail businesses. The retail industry includes gas stations, grocery stores, clothing retailers, or other stores selling directly to the public. Although there are not many businesses in the arts, entertainment, and recreation industry, which includes ski resorts, museums, and other tourist activities, nearly 75% of businesses in that industry have at least one worker who is a Montana Medicaid client. Manufacturing is another industry with fewer businesses, but a high share (75%) of businesses with employees enrolled in the program. A full chart of both 2016 and 2017 data can be found in Appendix A1.

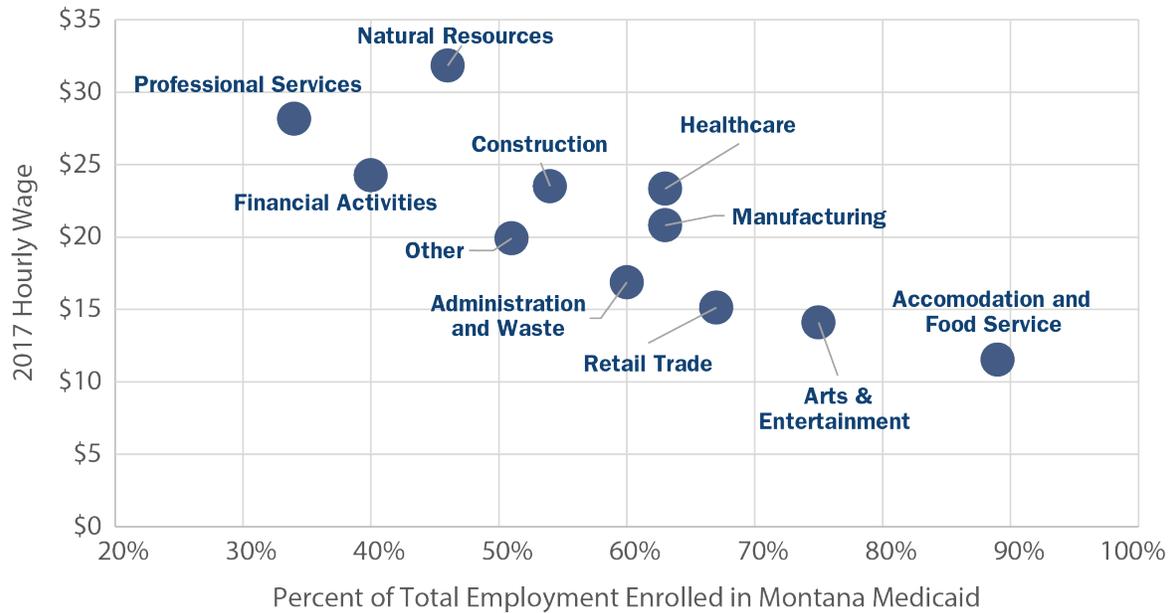
Figure 10: Employers with Workers Enrolled in Montana Medicaid by Industry, 2017



Source: 2018 DLI & DOR Montana Medicaid Data Match. Private sector only.

The utilization of Montana Medicaid for insurance increases in industries with lower wages, as illustrated in Figure 11. In Montana, the industries of retail trade, accommodation and food service, and arts & entertainment are all the lowest paying industries for average annual wages paid in Montana, and also the industries with the highest utilization of Montana Medicaid among their staffs. These industries also utilize part-time employment more commonly than other industries.

Figure 11: Percent of MT Medicaid Employers and Average Hourly Wage in Each Industry



Source: 2018 DLI & DOR Montana Medicaid Data Match. Private sector only.

Size and Industry of Montana Medicaid Employers

Within every industry, Montana Medicaid employers tend to have higher average employment than employers without workers enrolled in the program. For example, utility businesses tend to be large, and have the highest average employment per business generally. Among utility companies that have at least one worker enrolled in Montana Medicaid, the average employment per business is 67 workers. Among utility companies without workers covered by Montana Medicaid, the average employment per business is only 13 workers. This analysis suggests that large employers are highly likely to have at least one of their workers enrolled in the program, even though they may offer health insurance to other employees. Further, this analysis suggests that smaller employers may be more likely to offer private health insurance to all employees regardless of position, if they offer insurance. However, additional analysis would be needed to confirm this conclusion. **Figure 12** illustrates the average employment of businesses with and without employees enrolled in Montana Medicaid by industry.

Share of Employment on Montana Medicaid

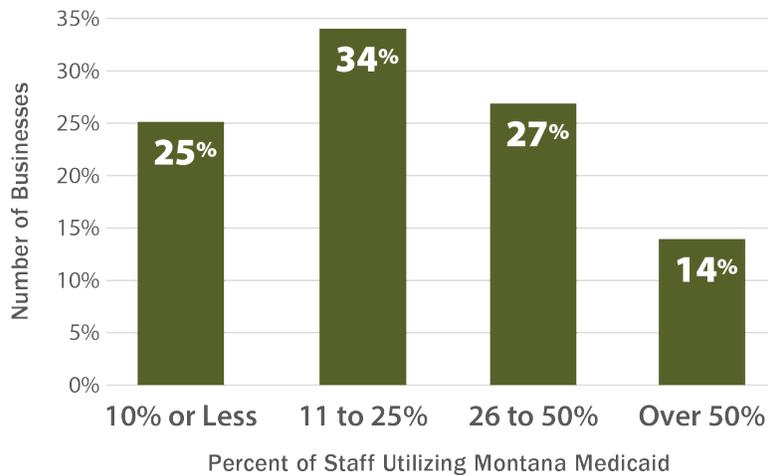
Overall, 57% of 2017 Montana businesses employed workers concurrently enrolled in Montana Medicaid. Most of these businesses had only a small share of their employees insured by the program, as illustrated in **Figure 13**. One quarter of these businesses had 10% or less of their employment covered by Montana Medicaid, with another 35% with 11 to 25% of their employment enrolled in the program. **However, roughly one quarter of these businesses had between 26% to 50% of employees enrolled, and 14% had over 50% of employment enrolled in Montana Medicaid, representing significant reliance by these employers for provision of employee health insurance.**

Figure 12: Average Employment per Business of Montana Private Employers by Industry and Montana Medicaid Usage among Workers

Industry	Businesses employing Montana Medicaid Clients	Businesses without Workers Enrolled in Montana Medicaid
Utilities	67.3	13.3
Healthcare	41.9	5.5
Mining	39.9	8.1
Finance and Insurance	37.6	4.9
Information	30.0	4.7
Retail Trade	27.9	4.6
Wholesale Trade	24.9	5.1
Manufacturing	24.6	5.2
Transportation	22.5	4.8
Education	20.7	3.8
Accommodation and Food Service	19.8	3.9
Admin. and Waste	18.2	3.5
Management of Companies	18.0	3.0
Professional Services	14.2	4.3
Arts, Entertainment, and Recreation	13.9	3.8
Construction	10.0	3.6
Other Services	9.7	3.8
Real Estate	9.2	3.1
Agriculture	8.3	4.3
Other	3.3	2.0
Total	20.8	4.4

Source: 2018 DLI & DOR Montana Medicaid Data Match. Private sector only.

Figure 13: Distribution of Montana Medicaid Employers by Percent of Staff Utilizing Montana Medicaid



Source: 2018 DLI & DOR Montana Medicaid Data Match. Private sector only.

Looking specifically at businesses with over 50% of their employees enrolled in Montana Medicaid, the businesses tended to be small and in low-wage industries. Roughly 80% of these high-use businesses have 10 employees or less, and 29% of them are in the accommodation and food service industry. Another 12% of the high-use businesses are in construction (which is a middle-wage industry, but has high use of seasonal workers). Other common industries among these businesses with high levels of employees covered by Montana Medicaid include retail (10%) and healthcare (10%). Healthcare is another example of a middle-wage industry, but there are many occupations within the industry that have entry-level wages. Most of the high-use businesses within healthcare were residential nursing care facilities.

This research also examined large businesses with over 50 employees with most of their employees insured by Montana Medicaid. High-rate, large businesses were rare, since most large businesses offer health insurance to at least some of their staff, and because the ACA imposes penalties on large employers if they do not offer affordable coverage.²⁵ **There were roughly 50 businesses in 2017 with over 50 employees and with the majority of their employees enrolled in Montana Medicaid.** 70% of these businesses were in two industries: accommodation and food service (which includes hotels and fast-food restaurants) and administration and waste services (which includes temporary employment firms).

Tax Liability of Montana Medicaid Employers

When comparing the tax liability of employers that hire Montana Medicaid workers to those that don't, employers who employ Montana Medicaid clients have a lower average per employee tax liability, although they have higher per business liability. **Figure 14** illustrates the comparative tax liability for 2017. Tax liability is based on many factors, and is not directly related to the provision of employee health insurance. However, the comparison of tax liability between employers with employees covered by Montana Medicaid and other businesses is provided for insight into whether the state costs of the program are incurred by taxpayers with employees covered by the program. The answer depends on whether the compared metric is the average tax liability per business or the average tax liability per employee. **On a per employee basis, employers of workers covered by Montana Medicaid for health insurance paid corporate taxes of \$630 per employee compared to \$1,380 per employee for businesses without workers enrolled in the program. However, on a per business basis, the average tax liability is higher for employers of Montana Medicaid clients, at \$11,400 compared to \$5,900 for employers without such employees.**

Figure 14: 2017 Comparative Tax Liability of Montana Medicaid Employers*

	Montana Medicaid Employers	Employers With no Workers on Montana Medicaid
Montana Taxable Income	\$1,760,346,000	\$574,057,000
Montana Tax Liability	\$121,916,000	\$45,294,000
Average Tax Liability Per Business	\$11,437	\$5,913
Average Tax Liability Per Employee	\$631	\$1,378

*Preliminary. Source: DLI & DOR Medicaid Data Match, 2018. Employer counts include only businesses with tax liability that matched to tax records, not the full set of employers of workers enrolled in Montana Medicaid. See appendix for details.

Montana taxpayers pay a small share of the overall costs of Montana Medicaid. The program is primarily funded by federal taxpayers, with a 94% cost share provided federally in SFY2018. The state funding comes from the hospital utilization fee and other state tax revenue sources. **Overall, corporate income taxes fund less than 0.5% of the costs of Montana Medicaid.**²⁶

The higher tax liability for employers without Montana Medicaid workers on a per employee basis also holds true across most industries, as shown in **Figure 15**. For the accommodation and food service sector, which employs the largest number of Montana Medicaid enrollees, the tax liability of employers was \$165 per employee. Similar employers without employees enrolled in the program had an average tax liability of \$828. Of the twenty industries examined, all industries had higher tax liability for employers without Montana Medicaid on a per employee basis except mining, and finance and insurance.

Figure 15: 2017 Tax Liability of Montana Businesses With and Without Employees Receiving Medical Benefits

Industry	Employers with at Least One Worker enrolled in MT Medicaid		Other Employers without Staff enrolled in MT Medicaid	
	Tax Liability	Per Employee	Tax Liability	Per Employee
Agriculture	-\$390,000	-\$151	\$420,000	\$353
Arts, Entertainment, and Recreation	\$939,000	\$156	\$315,000	\$670
Accommodation and Food Service	\$6,784,000	\$165	\$770,000	\$828
Education	\$272,000	\$190	\$329,000	\$2,193
Other Services	\$1,623,000	\$327	\$1,583,000	\$860
Admin. and Waste	\$3,127,000	\$343	\$958,000	\$643
Healthcare	\$12,775,000	\$451	\$5,990,000	\$1,854
Real Estate	\$1,664,000	\$682	\$2,451,000	\$2,208
Retail Trade	\$23,449,000	\$694	\$3,392,000	\$909
Transportation	\$5,073,000	\$839	\$1,070,000	\$870
Manufacturing	\$10,810,000	\$907	\$2,468,000	\$1,543
Mining	\$2,849,000	\$913	-\$292,000	-\$463
Information	\$1,886,000	\$934	\$1,978,000	\$4,945
Construction	\$15,125,000	\$947	\$5,588,000	\$1,075
Professional Services	\$7,960,000	\$1,022	\$6,866,000	\$1,360
Wholesale Trade	\$10,587,000	\$1,169	\$6,262,000	\$2,495
Finance and Insurance	\$15,349,000	\$2,683	\$4,055,000	\$2,519
Total	\$121,916,000	\$631	\$45,294,000	\$1,378

* Utilities, management of companies, and other not listed due to less than 10 businesses.
Source: 2018 DLI & DOR Montana Medicaid Data Match. Private sector only.

Appendix: Methodology

Employment is dynamic. On average, roughly 90,000 Montana workers were hired by Montana employers in each quarter in 2017, and slightly fewer workers separated from their employers each quarter, resulting in roughly 40% of Montana employment moving between jobs in any given quarter.²⁷ The dynamics of employment creates a challenge in measuring the number of employees on Montana Medicaid because the number of jobs and the number of workers are not one-to-one. In 2017, the total count of people who were both recipients of Montana Medicaid and workers in a business was about 80,000 people, with roughly 76,000 employed in the private sector. However, these people did not all work at the same time. An average of about 60,000 private sector workers enrolled in the program were working in any given quarter.

Total counts of the private workers enrolled in Montana Medicaid were calculated using quarterly Unemployment Insurance (UI) wage records and monthly Medicaid issuance data. Due to the need to merge monthly data to quarterly records, any person insured in at least one month is assumed to have been enrolled in the entire quarter. In an average month in 2017, 93% of Montana Medicaid enrollees were on the program for at least three months, making it appropriate to merge the monthly data with quarterly employment records. Approximately 62% of the workers were successfully matched to wage records, with the assumption that the remaining population did not work in payroll employment. However, non-matched workers could have been employed in other ways, such as self-employment. Finally, the unique number of people who earned wages in at least one quarter of the year are counted, giving the total number of workers who were insured by the program while working.

Additional adjustments were made to make this employment count comparable to data from the Quarterly Census of Employment and Wages (QCEW), the standard data source used for payroll employment statistics. The combined quarterly issuance and wage records (used to determine total employment counts) are summed by year, quarter, and business. These quarterly counts are matched to a file of quarterly employment by employer at the enterprise level (multi-establishment employers are combined) for all wage-paying employers in the state, allowing the comparison of workers enrolled in Montana Medicaid to other workers and the calculation of enrollment as a percentage of total employment in the business. Businesses with average employment of one or less were removed from the analysis, as these businesses are often start-ups or business closures, or self-employed individuals. The quarterly employment was averaged annually to make it most comparable to other commonly used employment data.

There were 77 businesses where an employee was on Montana Medicaid, but no FEIN was available to send to DOR. These instances typically occur with military employment or other federal government jobs that report directly to the federal unemployment insurance program. Another common reason is a newly formed business. The list of businesses employing Montana Medicaid clients was then sent to the Department of Revenue (DOR), where the employment information was matched with the department's tax records for C-corporations for tax year 2016, pass-through entities for tax year 2016, and sole-proprietorships for tax years 2016 and 2017. C-corporation data for 2017 will not be finalized until November 2019, but preliminary data was used for 2017 tax liability estimates for C-corporations. C-corporations comprise 5% of the businesses in 2017.

Corporate tax liability was pulled directly from the tax records. For pass-through entities and sole-proprietorships, the DOR estimated the tax liability of each business owner by applying a tax rate of 6.9% to the taxable income reported by the entity. In total, the DOR could estimate the taxable income and tax liability of roughly 70% of the identified businesses (over 18,000 businesses in total). The 30% of non-matching records (8,513) likely did not match because the FEIN used for employment records was a subsidiary company, while the parent’s FEIN was used to report income to DOR. These businesses were primarily disregarded entities.²⁸ Further, nonprofit entities would not need to report income to DOR, but are included in the employers with employees enrolled in Montana Medicaid. The type of business is provided in **Figure A1**.

A1: Tax Type of Matched Businesses

No Match	8,513
Sole Proprietorship	2,107
Partnership	2,397
S-Corporation	12,364
C-Corporation	1,449

Calculation of Montana Medicaid Costs paid by Corporate Taxpayers

According to the Legislative Services Division, corporate tax revenues in SFY2018 were \$167.1 million, or 6.95% of total general fund revenues of \$2.405 billion.²⁹ This research rounds this percentage to 7%. The Legislative Services Division also states that Montana Medicaid (Medicaid Expansion) comprised 1.7% of total general fund revenues in SFY2018.³⁰ Because 100% of the tax payments of employers are directed towards the general fund, roughly 1.7% of tax payments are directed to the program.

Calculation of Insurance Costs If All Workers Were Provided Private Health Insurance

Based on internal data at the Montana Department of Labor & Industry, 51.2% of the workers enrolled in Montana Medicaid while working worked for the entire year, while the remaining 48.8% of the workers only worked part-year. However, information on the number of hours worked is not available through the administrative data for Medicaid or Department of Labor programs. Work status data for Montana from the 2017 American Community Survey (ACS) 1-Year Estimates published by the U.S. Census Bureau (Table S2303) were used instead to allocate workers into part-time or full-time status, assuming the distribution of working is similar for the Montana Medicaid population as the full population. According to the 2017 ACS, 84.3% of workers who worked year-round worked 35 hours or more per week, 13.3% worked 15 to 34 hours per week, and 2.4% worked 1 to 14 hours per week. **Figure A2** illustrates the ACS data for the hours worked and weeks worked, and in the second three columns, provides the number of workers enrolled in Montana Medicaid estimated to be in each cell based on the ACS data and the knowledge that 51.2% of the workers worked 50 or more weeks in the year.

Figure A2: Distribution of Workers by Work Hours Using Census Data

Number of Weeks Worked	Distribution of Workers in Montana according to 2017 ACS Data			Distribution of Workers on Montana Medicaid Based on ACS Data		
	Usually worked 35+ hours per week	Usually worked 15 to 34 hours per week	Usually worked 1 to 14 hours per week	Usually worked 35+ hours per week	Usually worked 15 to 34 hours per week	Usually worked 1 to 14 hours per week
Full-Year (50-52 weeks)	84.3%	13.3%	2.4%	34,655	5,465	978
Worked 48 to 49 weeks	6.0%	2.1%	0.8%	2,342	826	302
Worked 40 to 47 weeks	15.0%	8.6%	1.7%	5,880	3,357	682
Worked 27 to 39 weeks	12.1%	10.0%	2.1%	4,719	3,903	824
Worked 14 to 26 weeks	8.3%	7.9%	2.7%	3,247	3,103	1,073
Worked 1 to 13 weeks	7.4%	8.2%	7.2%	2,894	3,200	2,808

The average employer cost to provide health insurance in 2017 from the Medical Expenditure Panel Survey was used to estimate the cost of providing insurance to all workers enrolled in Montana Medicaid, prorating the cost to a per-week basis as illustrated in **Figure A3**. If all employees were provided health insurance regardless of hours worked, the employer cost of providing the health insurance would range from \$353.6 million to \$941.2 million.

Figure A3: Prorated Average Cost to Employer of Providing Care

	Weeks Worked	Prorated Single	Prorated Family
Full-Year	52.0	\$5,641	\$13,087
Worked 48 to 49 weeks	48.5	\$5,261	\$12,206
Worked 40 to 47 weeks	43.5	\$4,719	\$10,948
Worked 27 to 39 weeks	33.0	\$3,580	\$8,305
Worked 14 to 26 weeks	20.0	\$2,170	\$5,033
Worked 1 to 13 weeks	7.0	\$759	\$1,762

Additional Data

Figure A4: Businesses Employing Montana Medicaid Participants by Industry

	Number of Businesses		% of Businesses within Industry that Employ MT Medicaid Workers		Average Percentage of Employment on Medicaid		Average Hourly Wage
	2016	2017	2016	2017	2016	2017	2017
Accommodation and Food Service	2,640	2,650	87%	89%	29%	37%	\$11.53
Arts, Entertainment & Recreation	630	680	70%	75%	22%	28%	\$14.10
Retail Trade	1,860	2,000	61%	67%	21%	25%	\$15.13
Healthcare	1,420	1,540	58%	63%	22%	27%	\$23.33
Manufacturing	650	740	57%	63%	16%	19%	\$20.81
Admin. and Waste	880	980	55%	60%	27%	34%	\$16.88
Construction	1,750	2,030	47%	54%	22%	27%	\$23.51
Transportation	370	410	46%	51%	18%	23%	\$22.30
Other	1,420	1,680	44%	51%	22%	25%	\$19.91
Natural Resources	490	590	38%	46%	18%	21%	\$31.83
Financial Activities	660	750	36%	40%	22%	25%	\$24.26
Wholesale Trade	420	480	35%	40%	13%	15%	\$22.47
Professional Services	720	850	29%	34%	19%	21%	\$28.17
All Industries	13,927	15,358	47%	53%	22.5%	27.2%	\$20.39

Source: 2018 DLI & DOR Montana Medicaid Data Match. Private sector only. Montana Department of Labor & Industry and Montana Department of Revenue Medicaid Enrollment Business Match, 2018. Excludes employers without a FEIN provided or with average employment one or less.

Endnotes

- 1 Montana Medicaid refers to the program providing Medicaid coverage to the adult population over 19 years of age and under 138% of the federal poverty line that was included in Medicaid under the 2015 HELP Act, also known as Medicaid expansion. This report only includes data on this adult population.
- 2 Bureau of Business and Economic Research, University of Montana. 2018. "The Economic Impact of Medicaid Expansion in Montana." Available at <http://www.bber.umt.edu/pubs/health/MedicaidExpansionImpact2018.pdf>.
- 3 Ibid.
- 4 Garfield et al. 2018. "Understanding the Intersection of Medicaid and Work" Henry J. Kaiser Family Foundation. <https://www.kff.org/report-section/understanding-the-intersection-of-medicaid-and-work-appendix/>.
- 5 Medical Expenditure Panel Survey, Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services. Table II.A.2 Percent of private-sector establishments that offer health insurance by firm size and state, 2017" <https://meps.ahrq.gov/mepsweb/>
- 6 Garfield et al. 2018.
- 7 Using microdata from the 2017 Current Population Survey March Supplement.
- 8 Unlike the Kaiser Family Foundation research, this analysis uses administrative data from Medicaid program enrollment and employment records reported to the Montana Department of Labor & Industry for administration of the Unemployment Insurance program. Administrative data is typically more reliable than survey data due to more complete coverage of the population (rather than a sample).
- 9 Quarterly workforce indicators, Local Area Employment Statistics, U.S. Census Bureau. 2017 quarterly averages for Montana, Separations and Hires.
- 10 Medical Expenditure Panel Survey, 2017. Tables II.B.1, II.B.2, and II.B.21.
- 11 Ibid.
- 12 Calculations using data from the 2017 American Community Survey one-year estimates, Table S2303. See appendix for more details.
- 13 Bureau of Business and Economic Research, University of Montana. 2018. Specifically, page 30, Appendix E.
- 14 Cigna. 2018. "Employer Mandate Fact Sheet" Available at www.cigna.com/assets/docs/about-cigna/informed-on-reform/employer-mandate-fact-sheet.pdf.
- 15 Haile, Brian. 2012. Jackson Hewitt Tax Service. "Without Medicaid Expansion, Employers Face Higher Tax Penalties Under ACA" www.achi.net/Content/Documents/ResourceRenderer.ashx?ID=137
- 16 Ibid. Research provided estimates of \$10 million to \$15 million in 2012 dollars, which were inflated to 2018 dollars using the Consumer Price Index for Urban Consumers, Bureau of Labor Statistics.
- 17 Pacific Business Group on Health, California Health Care Foundation. "The Business Case for Expanded Coverage." October 2018. And Fertig et al. 2017. "Evidence of Pent-Up Demand for Care After Medicaid Expansion" Medical Care Research and Review, Vol 75, issue 4, p 516-524.

- 18 The decrease also includes adverse selection costs, which are difficult to remove from pent-up demand costs. Estimate is cost to Medicaid system, so assumes private insurance would cover similar services. Centers for Medicare & Medicaid Services, U.S. Department of Health and Human Services. "2016 Actuarial Report on the Financial Outlook for Medicaid." Page 28. Available at www.cms.gov/Research-Statistics-Data-and-Systems/Research/ActuarialStudies/Downloads/MedicaidReport2016.pdf.
- 19 Calculation assumes all 80,259 employees enrolled in Montana Medicaid were enrolled in their employer's insurance, which likely over-estimates the impact. See appendix.
- 20 State business taxpayer share of federal costs is not included in this analysis, but is negligible. Montana taxpayers contribute less than 1% of total federal dollars (IRS Data Book, 2015, available at <https://www.irs.gov/pub/irs-soi/15databk.pdf>). The percent of Montana Medicaid paid with federal dollars will decrease over time. Legislative Fiscal Division. 2018. The Department of Public Health and Human Services Agency Profile..
- 21 Share from state funds will increase in future years as federal share declines to 90%. Arnold, Jon. "Medicaid Monitoring Report and Montana HELP Act Medicaid Expansion Report: A Report Prepared for the Legislative Finance Committee" published by the Legislative Fiscal Division on Sept. 6-7, 2018 available at <https://leg.mt.gov/content/Publications/fiscal/interim/Sept-2018/FYEMedicaid%20monitoring%20HELP%20Sep%202018%20FINAL.pdf>.
- 22 Medicaid Expenditure Panel Survey, estimated employer cost of employer-provided health insurance for single coverage, 2017. And Haile, Brian. 2012.
- 23 Medical Expenditure Panel Survey, 2017. Table II.A.2
- 24 Henry J. Kaiser Family Foundation, 2018. "Employer Responsibility Under the Affordable Care Act" Available at www.kff.org/infographic/employer-responsibility-under-the-affordable-care-act/.
- 25 Ibid.
- 26 Calculation based on 4% of per member per month funding from state funds, and corporate taxpayers comprising 6% of state tax revenues as described by the Legislative Fiscal Division in "State General Fund: Where it Comes From and Where it Goes" Available at https://leg.mt.gov/content/Publications/fiscal/leg_reference/State-General-Fund-2019.pdf. Accessed Dec. 10, 2018. Amount funded by state dollars described by Johnson, Erica, representative of DPHHS, information request provided on Dec. 12, 2018 (information presented in **Figure 5**).
- 27 Quarterly Workforce Indicators, 2017.
- 28 Presti, Andrew. 2012. "FAQ: What is a disregarded entity?" www.pntax.com/faq-what-is-a-disregarded-entity/
- 29 Legislative Fiscal Division, 2018. "State General Fund: Where it Comes From and Where it Goes" Available at https://leg.mt.gov/content/Publications/fiscal/leg_reference/State-General-Fund-2019.pdf. Assessed Dec. 10, 2018.
- 30 Arnold, Jon, Legislative Fiscal Division Medicaid Analyst. Email correspondence on Jan. 2, 2019 citing data from Arnold, Jon. "Medicaid Monitoring Report and Montana HELP Act Medicaid Expansion Report: A Report Prepared for the Legislative Finance Committee" published by the Legislative Fiscal Division on Sept. 6-7, 2018 available at <https://leg.mt.gov/content/Publications/fiscal/interim/Sept-2018/FYEMedicaid%20monitoring%20HELP%20Sep%202018%20FINAL.pdf>.

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