

A wide-angle photograph of a town street in Montana. In the foreground, a red GMC pickup truck is driving away from the camera. The street is lined with parked cars and lush green trees. In the background, a large, multi-story white building with many windows stands prominently. Beyond the town, rolling green hills and dark, forested mountains are visible under a blue sky with scattered clouds. A black lamppost with a white globe is in the lower right corner.

# The Economic Impact of Medicaid in Montana

By Barbara Wagner, Chief Economist

The Montana Medicaid program (also known as Medicaid expansion) provides Medicaid health insurance to adults 19 and over who are at or below 138% of the federal poverty line. Roughly 1 in 10 Montanans are insured by Montana Medicaid. Recently, the Montana Department of Labor & Industry published a joint report with the Montana Department of Revenue (and using data from the Montana Department of Public Health & Human Services) examining the number of workers enrolled in the program, and the number and characteristics of the businesses who employed such workers. Across all workers in the U.S., health insurance comprises about 8% of the total compensation package, making health insurance a considerable component of how workers are paid in the state.<sup>1</sup>

Montana Medicaid has also become an important factor in how health insurance is provided to Montana's workers. In 2017, 57% of Montana businesses employed workers who were

simultaneously enrolled in Montana Medicaid. Businesses in every county, in every industry, and of all size classes employ workers who are covered by the program. This article summarizes the report, which is available at [lmi.mt.gov/Publications/PublicationsContainer/the-value-of-medicaid-expansion-to-montana-employers](http://lmi.mt.gov/Publications/PublicationsContainer/the-value-of-medicaid-expansion-to-montana-employers).

Using Montana Medicaid enrollment data matched to employment records from the Unemployment Insurance program, the Montana Department of Labor & Industry identified 80,259 individuals who were employed at the same time as they were enrolled in Montana Medicaid in 2017.<sup>2</sup> 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 addition, many of Montana's jobs are seasonal or temporary, meaning that the worker was employed in the job for several months, but moved to a different job or was unemployed when the job ended. Further,

<sup>1</sup> Total compensation includes the value of paid leave, wages, bonuses & overtime, health insurance, other insurance types, retirement, and legally required benefits like social security, Medicare, unemployment, and workers compensation. Employer Costs for Employee Compensation for all civilian workers, 2017.

<sup>2</sup> Administrative data match using Medicaid Expansion enrollment data matched to UI wage record. Please see full report for details and methodology.

not every individual was enrolled in Montana Medicaid for the full year; wage increases or the provision of private employer insurance may have resulted in the worker exiting the program. However, to make this figure comparable to other employment data, the 80,000 number was transformed to the average number of enrolled workers per quarter per employer. Once converted to annual averages, roughly 16% of the private sector workforce had health insurance provided by Montana Medicaid in 2017.

These workers were employed by 15,358 businesses in 2017, or 57% of all private sector employers. Many of these employers likely also offered

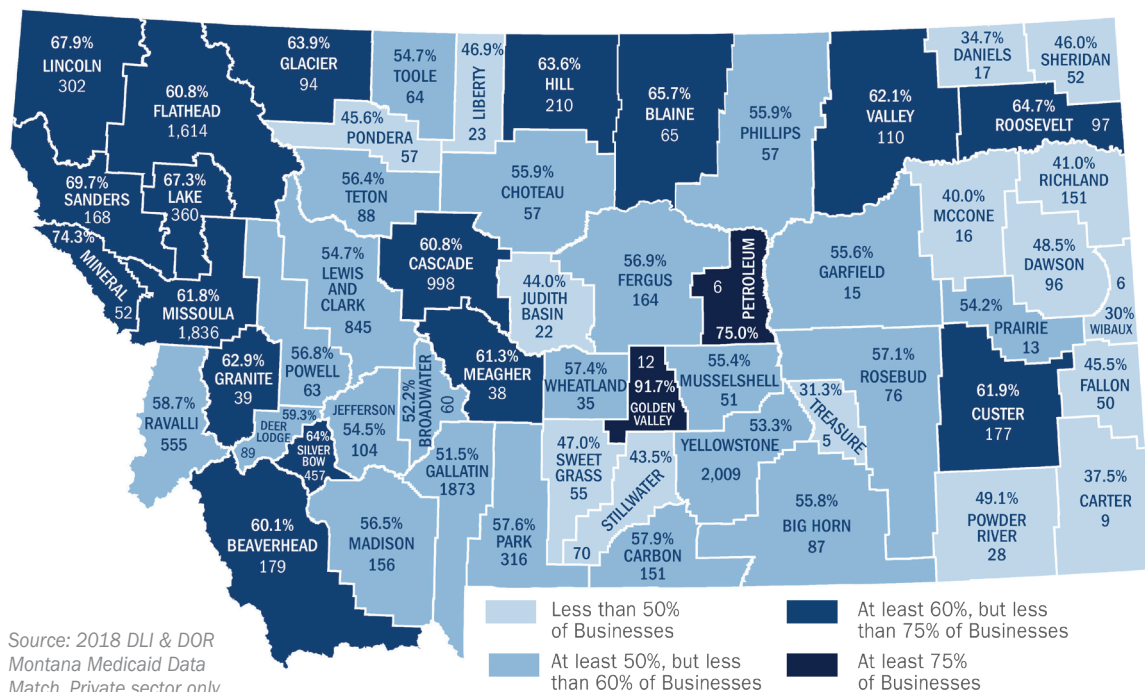
employer-based insurance to some of their employees, but limited the eligibility to full-time, full-year workers or after probation periods. In Montana, only about 58% of private sector employees are eligible for the health insurance offered by their employer, with the remainder either not eligible for their employer insurance, or working for a firm that does not offer insurance.<sup>3</sup> 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 have a coworker enrolled in Montana Medicaid.

## Montana Medicaid Employer Characteristics

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 1** illustrates the number of 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, along with the percent.

**FIGURE 1:**  
**Businesses Employing Workers Enrolled in Montana Medicaid**



3 Medical Expenditure Panel Survey, 2017. Tables II.B.1, II.B.2, and II.B.21. a

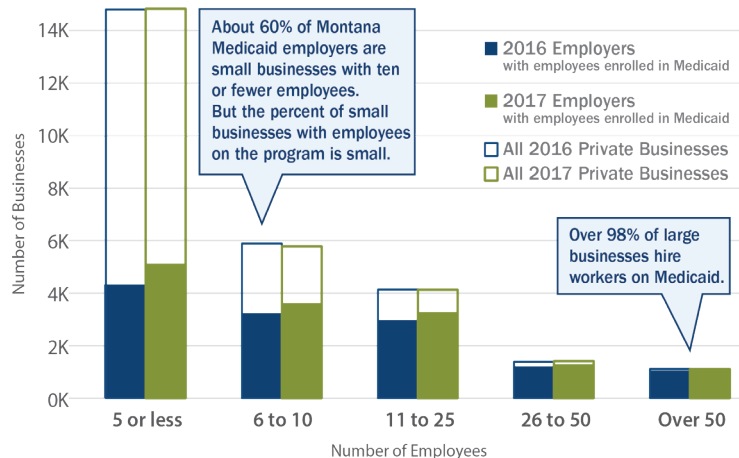


The number of businesses with workers covered by Montana Medicaid was generally higher in the more urban counties because of the higher number of businesses overall and the higher concentration of businesses in retail, food establishments, and accommodations industries (these industries have a high rate of employing workers who are insured by the program). The rural counties displayed a wide range of employee utilization of Montana Medicaid for health insurance, with large variance because of a small number of business overall. Over 90% of businesses in Golden Valley employed Montana Medicaid clients, the highest 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.

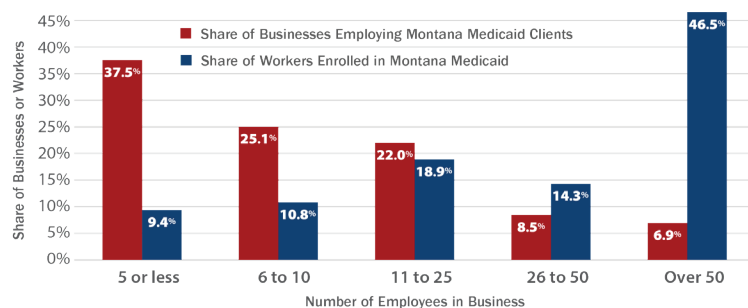
Most of the businesses that employ workers on Montana Medicaid are smaller businesses, but nearly all large businesses have at least one employee covered by the program. Over 62% of the businesses employing Montana Medicaid have 10 employees or less. **Figure 2** illustrates the number of businesses employing Montana Medicaid recipients by employment size. Even though most of the businesses employing Montana Medicaid clients are small, small businesses are less likely to have an employed worker enrolled in the program. Among small businesses with 10 or fewer employees, about 47% have workers enrolled in Montana Medicaid for health insurance.

**FIGURE 2:**  
**MT Businesses Employing Medicaid Recipients by Size**



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

**FIGURE 3:**  
**Montana Medicaid Employing Businesses**  
*Number of Businesses vs. Employment, 2017*

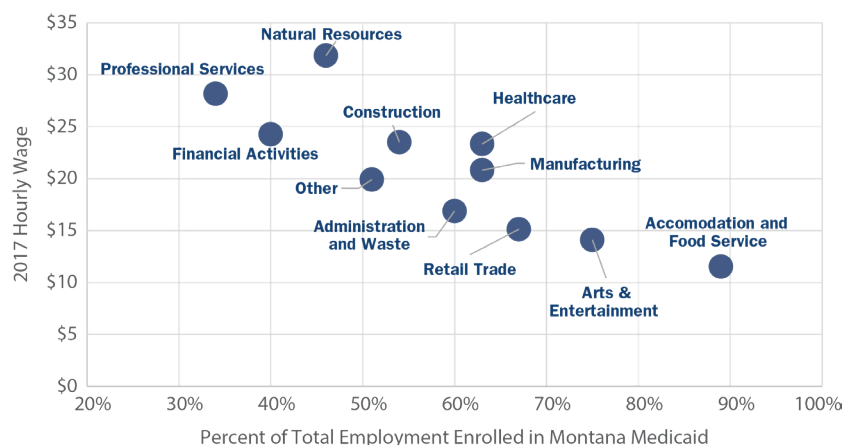


Source: 2018 DLI & DOR Montana Medicaid Data Match. Private sector only.

In contrast, there are fewer large businesses in Montana (and therefore large businesses make up a smaller share of the businesses employing Montana Medicaid clients), but nearly every large business has at least one worker enrolled in the program. Nearly all (98%) Montana businesses with more than 50 employees have at least one employee enrolled in Montana Medicaid. About 2,500 businesses who employed workers insured by the program had over 25 employees.

**Figure 3** further illustrates the distribution of workers and businesses 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

**FIGURE 4:**  
**Percent of MT Medicaid Employers**  
**and Average Hourly Wage in Each Industry**



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

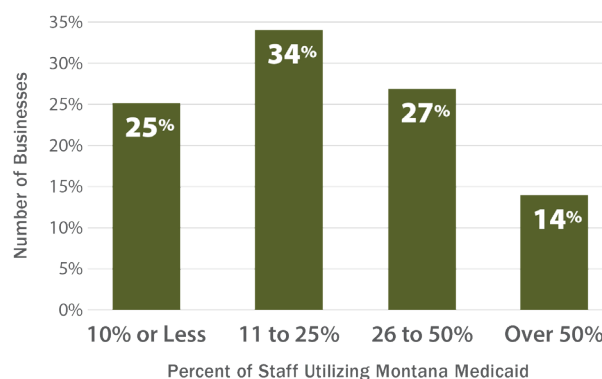
small businesses with 10 or fewer employees, but these businesses employ 20% of the population of workers who are insured by the program.

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, as shown in **Figure 4**. 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 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. 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.

Most businesses had only a small share of their employees insured by the program, as illustrated in **Figure 5**. 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,

**FIGURE 5:**  
**Distribution of Montana Medicaid Employers**  
**by Percent of Staff Utilizing Montana Medicaid**



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

and 14% had over 50% of employment enrolled in Montana Medicaid, representing significant reliance by these employers for provision of employee health insurance.

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 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 who have 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.<sup>4</sup> There were roughly 50 businesses in 2017 with over 50 employees who had 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).

## Do the Employer Benefits of Montana Medicaid Outweigh the Costs?

Many employers do not offer health insurance to all employees, particularly workers employed on a seasonal, temporary, or part-time basis, or to recently hired workers still in their probation period. Not providing for health insurance for all employees 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. If employers had insured all workers enrolled in Montana Medicaid in their 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). Therefore, employers face benefits from Montana Medicaid in terms of avoided costs.

There are other estimates of employers' avoided costs with Montana Medicaid. 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.<sup>5</sup> 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")

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<sup>4</sup> Cigna. 2018. "Employer Mandate Fact Sheet" Available at <https://www.cigna.com/assets/docs/about-cigna/informed-on-reform/employer-mandate-fact-sheet.pdf>

<sup>5</sup> Bureau of Business and Economic Research, University of Montana. 2018. Specifically, page 30, Appendix E.



provisions). Employers with 50 or more full-time employees must offer health insurance 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.<sup>6</sup> 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.<sup>7</sup> 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.<sup>8</sup>

Finally, the program likely reduces payments from the employer's insurance pool due to healthier workers and a lower likelihood of the non-insured in the labor force. Newly-hired workers that were 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).<sup>9</sup> Therefore, both employers that provide health insurance to all employees and employers with employees that utilize public insurance likely benefit from avoided costs.

Employer benefits of Montana Medicaid come from the avoided costs of providing insurance, from avoided tax liability, and through lower pent-up demand. However, businesses also face costs from the program. Employers with at least one employee on Montana Medicaid paid taxes equal to \$122 million in 2017, with roughly 1.6% of those tax dollars directed to fund Montana Medicaid.

Roughly \$2.07 million was paid in state tax dollars by employers with workers enrolled in Montana Medicaid, which is less 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 to fund Montana Medicaid. Based on this analysis, employer benefits from Montana Medicaid outweigh the costs paid for the program.

## Conclusion

With 57% of Montana employers having at least one worker enrolled, and every county having at least 30% of their businesses with a worker enrolled in the program, Montana Medicaid has become integrated into the way employers compensate their employees. Most employers have a minority of workers enrolled in the program for health insurance, but it is common enough that 84% of Montana private sector workers have at least one coworker enrolled in Montana Medicaid. Based on the data gathered for this research, costs of the program to employers are significantly less than the alternatives, and employers face net benefits in terms of avoided costs of providing insurance, tax penalties, and lower pent-up demand from newly hired employees.

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6 Cigna. 2018.

7 Haile, Brian. 2012. Jackson Hewitt Tax Service. "Without Medicaid Expansion, Employers Face Higher Tax Penalties Under ACA" <http://www.achi.net/Content/Documents/ResourceRenderer.aspx?ID=137>

8 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.

9 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.

