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# **The Effects of Molina Healthcare on New Mexico's State and Sub-State Economies**

## **2017**

Principal Investigator

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New Mexico State University



New Mexico State University's Arrowhead Center fosters sustainable economic development by utilizing a comprehensive approach to generate jobs, wealth, and an enhanced quality of life in New Mexico. The Arrowhead Center focuses on the interrelated activities of technology commercialization, entrepreneurship, economic studies/policy analysis, workforce analysis, Research Park development, and business incubation that lead to economic development. One of the Arrowhead Center's key strategies to accomplish its economic development mission is providing value-added solutions to unmet needs in the region, and to work collaboratively with other economic and business development organizations.

The Arrowhead Center performs its role through two mechanisms, as an organizational unit of New Mexico State University (NMSU) staffed primarily by NMSU personnel, including faculty, staff, and students, and as a non-profit corporation established in 2004, governed by a Board of Directors. The Corporation's Board is comprised of academic, business, and economic development leaders, providing the direction necessary to focus resources across New Mexico State University elements on the challenges of economic development.

The Arrowhead Center performs wide-ranging services that contribute to the creation and expansion of small businesses in New Mexico. These services and products include:

- Business assistance, including business plan development
- Entrepreneurship education and training
- Analysis of policy issues affecting New Mexico
- Incubating businesses in the Arrowhead Business and Research Park
- Identification of labor and training needs associated with commercial enterprises
- Spin-off of commercially viable business concepts and technologies
- Protection of, licensing, and commercialization of NMSU intellectual property
- Connection of key players in the business and economic development process

The Arrowhead Center has been in existence since 2004, with rapid growth in services provided to faculty, staff, students, entrepreneurs, small business, investors, and venture capitalists. Since its inception, the Center has completed more than 200 business research projects involving more than 300 undergraduate and graduate students, fostered the spin-off of a university genetics testing laboratory resulting in a new for-profit corporation, and completed several state-level economic studies.

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## About Molina Healthcare

Molina Healthcare, Inc. has more than 30 years of patient-centered care began with the vision of Dr. C. David Molina, an emergency room physician who saw many low-income patients in need of access to a broad range of primary and specialty health care services.

Dr. Molina recognized that his patients would be better served by regular access to a physician rather than through costly emergency room visits. He believed every patient should be treated like family and founded Molina Healthcare on the principle that every person deserves access to quality doctors, nurses and hospitals.

Molina Healthcare of New Mexico, a subsidiary of Molina Healthcare, began operating in New Mexico in 1998. As the largest Medicaid health plan in New Mexico, Molina arranges for the delivery of health care services to low-income families and individuals who are eligible for government-sponsored programs in the state. Through these programs, Molina Healthcare provides comprehensive services to meet the needs of New Mexicans throughout the state.

In 2014, Molina began participating statewide as a certified Qualified Health Plan on the New Mexico Health Insurance Exchange for the individual Health Maintenance Organization market.

Currently, Molina is the highest rated Medicare Special Needs Plan with a four out of five star rating according to the Centers for Medicare and Medicaid Services. Additionally, it is also the highest rated Medicaid health plan in the State according to the National Committee for Quality Assurance Plan Ratings for 2016 – 2017.

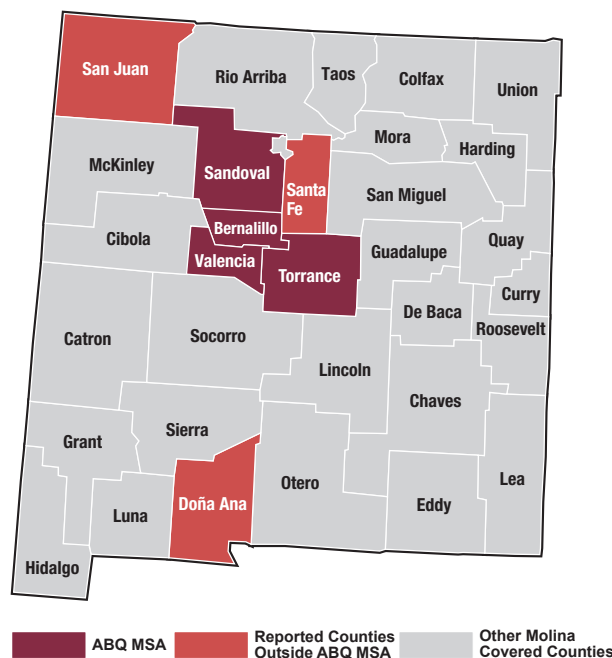
In addition to ensuring members have access to quality health care, Molina gives back to underserved communities. By building strong relationships with community partners state-wide, Molina continues to help individuals and families in need in a variety of ways including hosting events offering free health screenings, providing enrollment support or simply answering questions about health care options.

From arranging for transportation to and from medical appointments to helping serve meals at homeless shelters throughout the state, Molina Healthcare of New Mexico is going the extra mile to help low-income New Mexicans access quality health care and other important services.

## New Mexico Footprint

Molina Healthcare operations and activities in New Mexico make significant contributions to the state economy. This report is an analysis of those contributions for New Mexico as a whole, the Albuquerque Metropolitan Statistical Area (Bernalillo, Sandoval, Torrance, and Valencia Counties), Doña Ana County, San Juan County, Santa Fe County, and the rest of the state (26 counties). These areas are depicted in Map 1.

Map 1



## Employment

The employment effects of Molina Healthcare operations in New Mexico are very important. New Mexico has been struggling to recover jobs lost during the Great Recession and more recently, jobs lost from the fall in commodity prices starting in June 2014.

As of early 2017, the state had fewer non-farm payroll jobs than it did at the start of the Great Recession in December 2007. One of the few bright spots in the economy has been a steady and significant increase in employment in the health care sector throughout this difficult time for the state economy. Molina Healthcare has contributed substantially to the expansion of health care sector jobs.

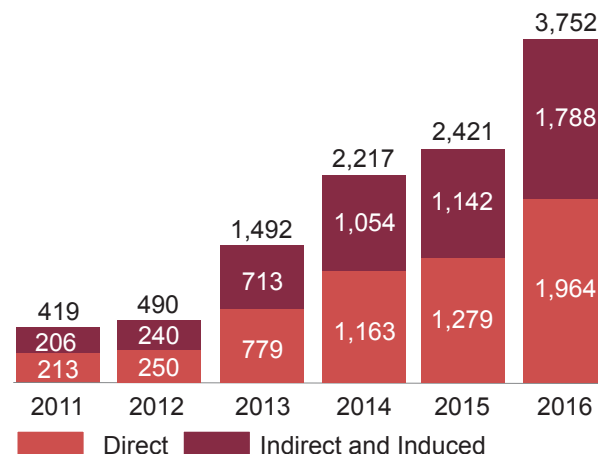
Direct employment effects occur due to hiring of Molina Healthcare employees. Indirect effects occur because Molina Healthcare purchases goods and services from other firms and industries. Induced effects occur because households spend wage and salary income received by either direct or indirect employment.

The employment effects of Molina Healthcare from 2011 to 2016 are shown in Figure 1 (below). As can be seen in Figure 1, direct employment by Molina Healthcare in New Mexico increased from 213 jobs in 2011 to 1,964 jobs in 2016, more than nine times the 2011 figure.

Total employment attributed to Molina Healthcare operations which includes direct, indirect and induced employment, increased by nine times from 419 jobs in 2011 to 3,752 jobs in 2016. The employment effects for various sub-state regions are shown in another section of this report.

Figure 1

## Employment Impacts of Molina Healthcare Operations in New Mexico



Sources: Direct employment provided by Molina Healthcare. Total = direct + indirect + induced. Total calculated using IMPLAN Pro Version 3.

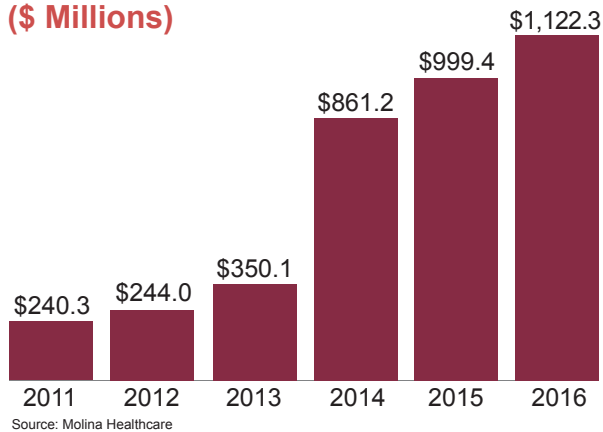
## Expenditures

Molina Healthcare expenditures occur throughout the state, and have indirect and induced effects on the state economy.

In 2011, these expenditures were \$240.3 million, but this figure increased by nearly five times to \$1.1 billion in 2016 (Figure 2). Out-of-state claims are not included in Figure 2.

**Figure 2**

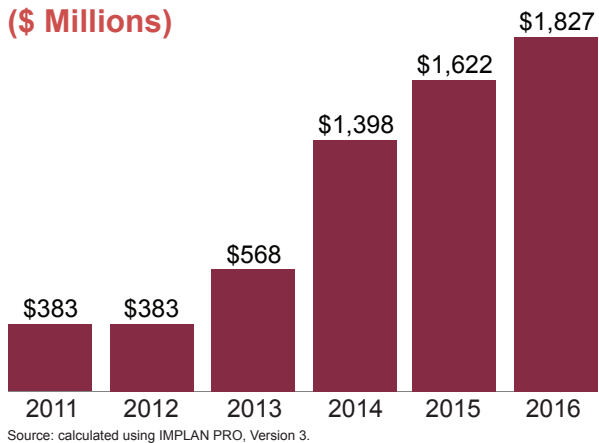
**Molina Healthcare Direct Expenditures in New Mexico (\$ Millions)**



The total effects of Molina Healthcare expenditures in New Mexico are shown in Figure 3. The total effects include direct, indirect, and induced effects. The total effects have increased by more than four times from \$383 million in 2011 to \$1.8 billion in 2016.

**Figure 3**

**Total Effects of Molina Healthcare Expenditures in New Mexico Total Includes Direct, Indirect and Induced Effects (\$ Millions)**



While these expenditures no doubt have effects for employment beyond those already reported for Molina Healthcare direct employment, it is not possible to attribute

additional employment effects to these expenditures. Many of the recipients of these expenditures (e.g., hospitals, clinics, and offices of physicians) have multiple sources of revenue and various cost structures.

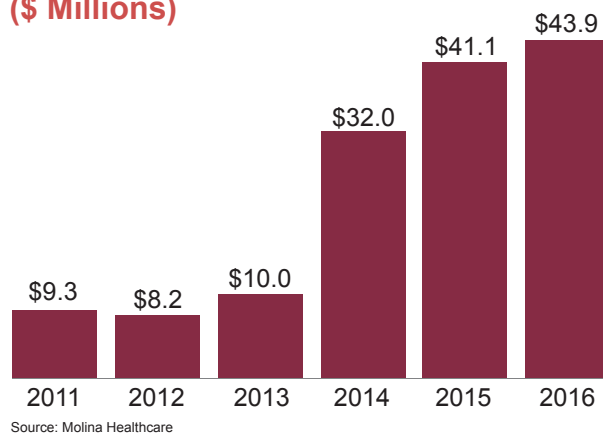
Further, some of these expenditures would have taken place in New Mexico regardless of whether Molina Healthcare was operating in the state. Nevertheless, the expenditure effects are large and important to the New Mexico economy.

**Taxes Paid**

As of 2016, Molina Healthcare was the 12<sup>th</sup> largest corporate taxpayer in New Mexico<sup>1</sup>. Molina Healthcare pays millions of dollars in premium taxes in New Mexico on the policies that it sells. The premium taxes are shown in Figure 4. Molina Healthcare premium taxes have increased from \$9.3 million in 2011 to \$43.9 million in 2016.

**Figure 4**

**Molina Healthcare Premium Taxes Paid in New Mexico (\$ Millions)**



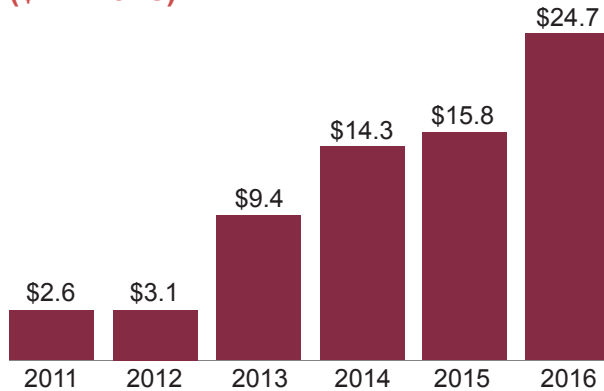
In addition to premium taxes, Molina Healthcare's direct employees and the indirect and induced employees receive income from their employment (Figure 5).

<sup>1</sup> Albuquerque Business First, February 23, 2017.

This labor income generates additional tax revenue for the state in the form of Gross Receipts Taxes (GRT), Personal Income Taxes (PIT), Corporate Income Taxes (CIT) and other taxes. These taxes have been estimated using effective tax rates rather than statutory tax rates. An effective tax rate reflects actual tax payments as a percent of labor income.

**Figure 5**

### Estimated State Taxes Paid Based On Total Employment Effects (\$ Millions)



Source: Author calculations based on effective tax rates

## Molina Healthcare Effects in Sub-State Areas

### Albuquerque MSA

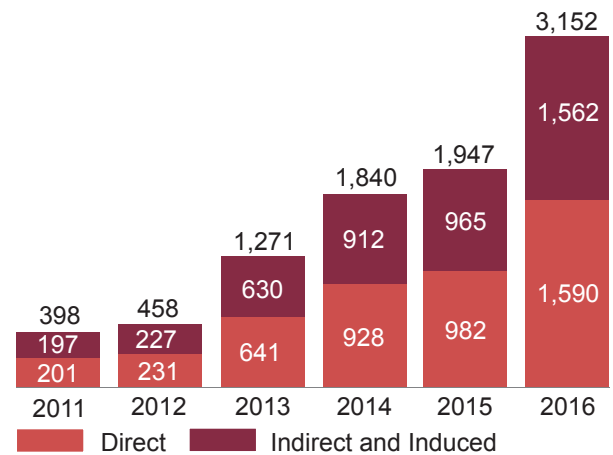
The Albuquerque Metropolitan Statistical Area (MSA) is located in the central part of New Mexico and consists of Bernalillo, Sandoval, Torrance and Valencia Counties. In 2016, the population of the Albuquerque MSA was 909,906 or 43.7 percent of the state's population. Per capita income in the Albuquerque MSA in 2015 was \$38,563 or 80.1 percent of the national average but slightly above the state level.<sup>2</sup>

<sup>2</sup> The population data for Albuquerque and the other sub-state areas are from the U.S. Census Bureau's estimates program ([www.census.gov](http://www.census.gov)). The per capita income data are from U.S. Department of Commerce, Bureau of Economic Analysis ([www.bea.gov](http://www.bea.gov)).

Molina Healthcare activities in the Albuquerque MSA are large and growing. In 2011, Molina's direct employment consisted of 201 jobs, but this figure grew to 1,590 jobs by 2016. This direct employment generates additional jobs in the Albuquerque MSA.

**Figure 6**

### Employment Effects (Jobs) of Molina Healthcare Operations: 2011-2016 Albuquerque MSA

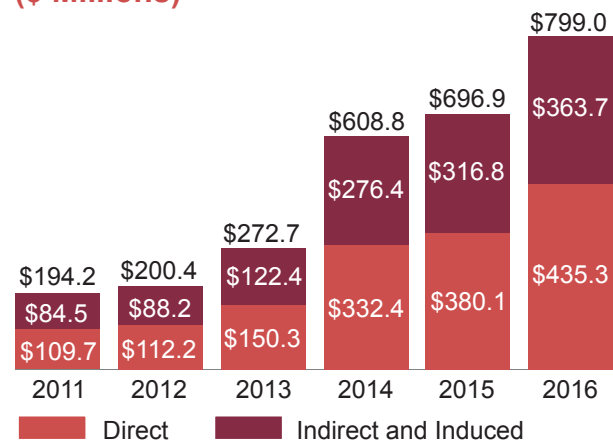


Sources: Direct employment provided by Molina Healthcare. Total = direct + indirect + induced. Total calculated using IMPLAN Pro Version 3.

These additional jobs are created through indirect and induced effects. The total (direct, indirect and induced) jobs that Molina contributes to the Albuquerque MSA increased from 398 in 2011 to 3,152 jobs in 2016 (Figure 6).

**Figure 7**

### Expenditure (Output) Impacts: Albuquerque MSA (\$ Millions)



Sources: Direct employment provided by Molina Healthcare. Total = direct + indirect + induced. Total calculated using IMPLAN Pro Version 3.

The expenditure effects of Molina Healthcare operations in the Albuquerque MSA are also large and growing. Direct expenditures in the Albuquerque MSA increased from \$109.7 million in 2011 to \$453.3 million in 2016. Total expenditures which include direct, indirect and induced effects increased from \$194.2 million in 2011 to \$799.0 million in 2016.

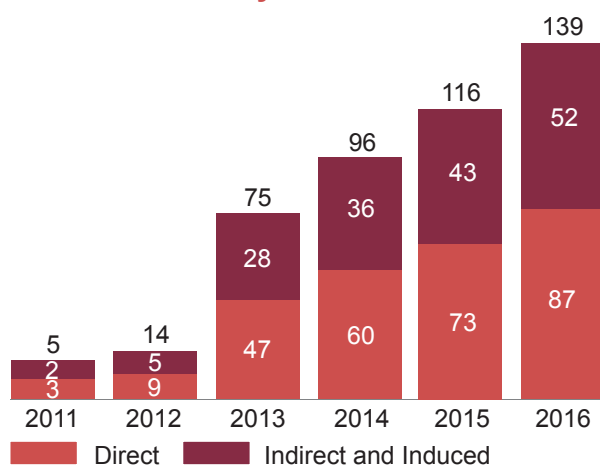
## Doña Ana County

Doña Ana County (Las Cruces MSA) is the second largest county in New Mexico in terms of population. In 2016, Doña Ana County's population was 214,207 or 10.3 percent of the state's population. Per capita income in Doña Ana County in 2015 was \$32,233 or 67.0 percent of the national average and 85.0 percent of the corresponding state figure.

Molina Healthcare activities in Doña Ana County are growing rapidly. In 2011, Molina's direct employment consisted of only three jobs, but this figure grew to 87 jobs by 2016. This direct employment generates additional jobs in Doña Ana County.

Figure 8

### Employment Effects (Jobs) of Molina Healthcare Operations: 2011-2016 Doña Ana County



Sources: Direct employment provided by Molina Healthcare.  
Total = direct + indirect + induced. Total calculated using IMPLAN Pro Version 3.

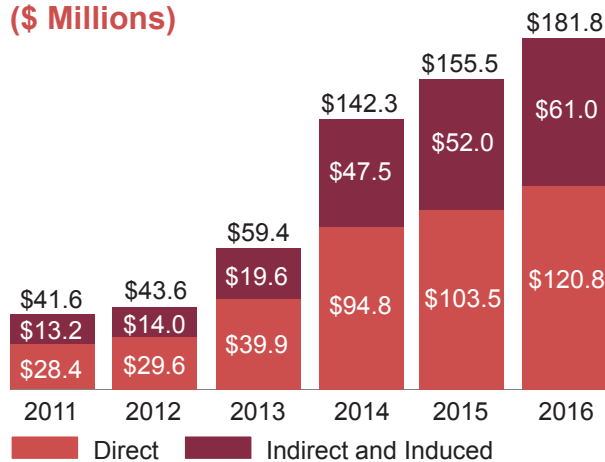
These additional jobs are created through indirect and induced effects. The total (direct, indirect and induced) jobs that Molina contributes to the Doña Ana County economy

increased from five jobs in 2011 to 139 jobs in 2016 (Figure 8, left).

The expenditure effects of Molina Healthcare operations in Doña Ana County are also growing rapidly. Direct expenditures in Doña Ana County increased from \$28.4 million in 2011 to \$120.8 million in 2016.

Figure 9

### Expenditure (Output) Impacts: Doña Ana County (\$ Millions)



Sources: Direct employment provided by Molina Healthcare.  
Total = direct + indirect + induced. Total calculated using IMPLAN Pro Version 3.  
Note, numbers may not add up due to rounding.

Total expenditures which include direct, indirect and induced effects increased from \$41.6 million in 2011 to \$181.8 million in 2016.

## San Juan County

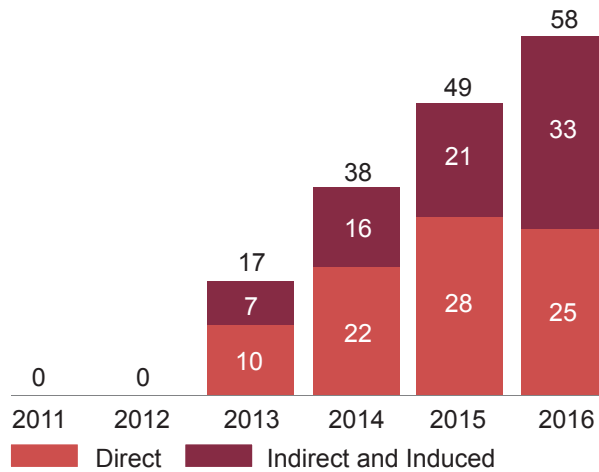
San Juan County (Farmington MSA) is the fifth largest county in New Mexico in terms of population. In 2016, San Juan County's population was 115,079 or 5.5 percent of the state's population. Per capita income in San Juan County in 2015 was \$37,777 or 78.5 percent of the national average and 99.6 percent of the corresponding state figure.

Molina Healthcare direct employment in San Juan County began in 2013. In 2013, Molina's direct employment consisted of only ten jobs, but this figure grew to 33 jobs by 2016. This direct employment generates additional jobs in San Juan County. These additional jobs are created through indirect and induced effects.

The total (direct, indirect and induced) jobs that Molina contributes to the San Juan County economy increased from 17 jobs in 2013 to 58 jobs in 2016 (Figure 10).

**Figure 10**

### Employment Effects (Jobs) of Molina Healthcare Operations: 2011-2016 San Juan County

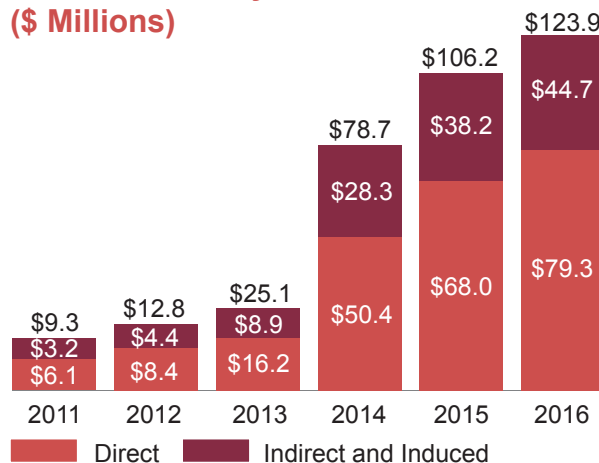


Sources: Direct employment provided by Molina Healthcare.  
Total = direct + indirect + induced. Total calculated using IMPLAN Pro Version 3.

The expenditure effects of Molina Healthcare operations in San Juan County are also growing rapidly. Direct expenditures in San Juan County increased from \$6.1 million in 2011 to \$79.3 million in 2016. Total expenditures which include direct, indirect and induced effects increased from \$9.3 million in 2011 to \$123.9 million in 2016 (Figure 11).

**Figure 11**

### Expenditure (Output) Impacts: San Juan County (\$ Millions)



Sources: Direct employment provided by Molina Healthcare.  
Total = direct + indirect + induced. Total calculated using IMPLAN Pro Version 3.  
Note, numbers may not add up due to rounding.

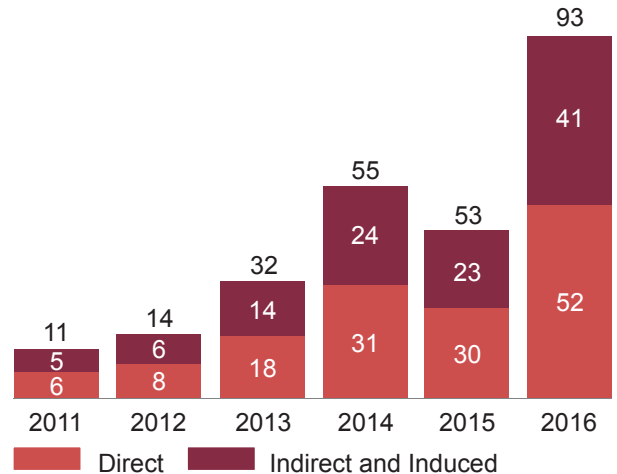
## Santa Fe County

Santa Fe County is the third largest county in New Mexico in terms of population. In 2016, Santa Fe County's population was 148,651 or 7.1 percent of the state's population. Per capita income in Santa Fe County in 2015 was \$50,684 or 105.3 percent of the national average and 133.6 percent of the corresponding state figure.

Molina Healthcare direct employment in Santa Fe County is not large but it is growing rapidly. In 2011, Molina's direct employment consisted of only six jobs, but this figure grew to 52 jobs by 2016. This direct employment generates additional jobs in Santa Fe County.

**Figure 12**

### Employment Effects (Jobs) of Molina Healthcare Operations: 2011-2016 Santa Fe County



Sources: Direct employment provided by Molina Healthcare.  
Total = direct + indirect + induced. Total calculated using IMPLAN Pro Version 3.

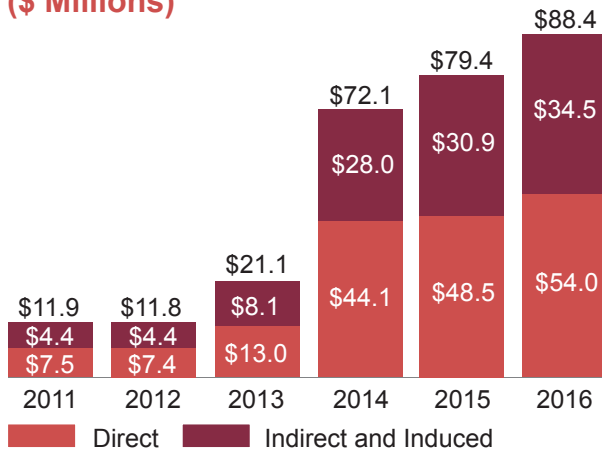
These additional jobs are created through indirect and induced effects. The total (direct, indirect and induced) jobs that Molina contributes to the Santa Fe County economy increased from 11 jobs in 2011 to 93 jobs in 2016 (Table 12, above).



The expenditure effects of Molina Healthcare operations in Santa Fe County are also growing rapidly. Direct expenditures in Santa Fe County increased from \$7.5 million in 2011 to \$54.0 million in 2016. Total expenditures which include direct, indirect and induced effects increased from \$11.9 million in 2011 to \$88.4 million in 2016.

Figure 13

### Expenditure (Output) Impacts: Santa Fe County (\$ Millions)



Sources: Direct employment provided by Molina Healthcare.  
Total = direct + indirect + induced. Total calculated using IMPLAN Pro Version 3.  
Note, numbers may not add up due to rounding.

### Rest of State Counties

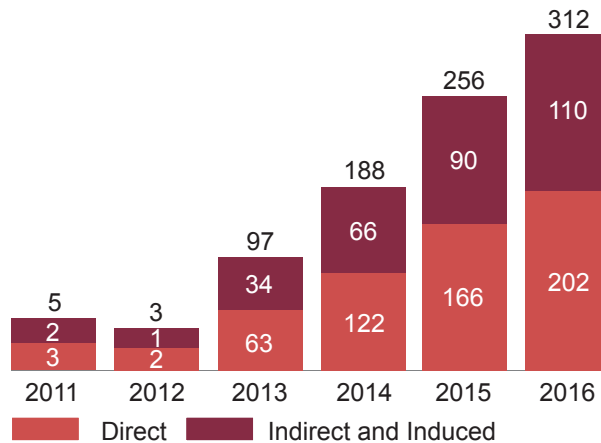
The rest of state category includes 26 counties (Map 1). In 2016, the population of the rest of state counties was 693,172 or 33.3 percent of the state population. These counties ranged in size from Harding County with a population of 665 to McKinley County with a population of 74,923. Per capita income in 2015 averaged \$36,183 in the rest of the state. This figure was 96.7 percent of the state average and 75.2 percent of the national figure. Per capita income ranged from \$24,640 in McKinley County to \$65,317 in Los Alamos County.

Molina Healthcare direct employment in the rest of the state counties is growing rapidly. In 2011, Molina's direct employment consisted of only three jobs, but this figure grew to 202 jobs by 2016. This direct employment generates additional jobs in the rest of the state counties. These additional jobs are created through indirect and induced effects.

The total (direct, indirect and induced) jobs that Molina contributes to the Santa Fe County economy increased from five jobs in 2011 to 312 jobs in 2016 (Figure 14).

Figure 14

### Employment Effects (Jobs) of Molina Healthcare Operations: 2011-2016 Rest of State

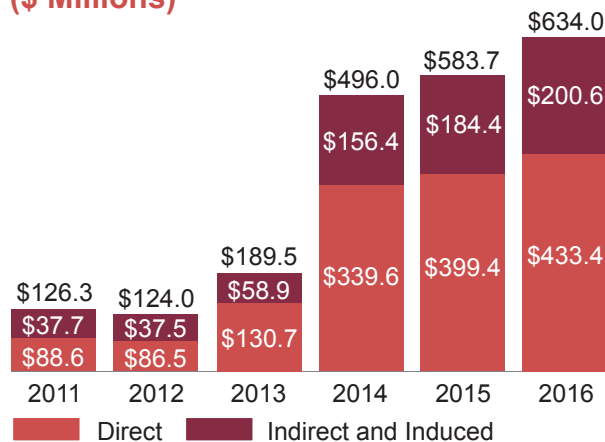


Sources: Direct employment provided by Molina Healthcare.  
Total = direct + indirect + induced. Total calculated using IMPLAN Pro Version 3.  
Note, numbers may not add up due to rounding.

The expenditure effects of Molina Healthcare operations in the rest of state counties are also growing rapidly. Direct expenditures in the rest of the state increased from \$88.6 million in 2011 to \$433.4 million in 2016 (Figure 15). Total expenditures which include direct, indirect and induced effects increased from \$126.3 million in 2011 to \$634 million in 2016.

Figure 15

### Expenditure (Output) Impacts: Rest of State (\$ Millions)



Sources: Direct employment provided by Molina Healthcare.  
Total = direct + indirect + induced. Total calculated using IMPLAN Pro Version 3.  
Note, numbers may not add up due to rounding.

## Glossary

**Direct effects** are the immediate (or first-round) consequences of a change in economic activity or policy. For example, if a firm spends \$1 million on construction of a new building, the direct effect on output (sales) in the construction sector is \$1 million. If eight workers are employed on the construction of the building, then those eight workers are also a direct effect.

**Employment** refers to full and part-time jobs.

**Final demand** refers to the demand of ultimate consumers for goods and services. Final demand includes the demand of households, governments, inventory accumulation, and exports. See also, intermediate demand.

**Gross Domestic Product (GDP)** is defined as the market value of the final goods and services produced by labor and property located in the United States. Conceptually, this measure can be arrived at by three separate means: as the sum of goods and services sold to final users, as the sum of income payments and other costs incurred in the production of goods and services, and as the sum of the value added at each stage of production (chart 2.1). (Bureau of Economic Analysis, Concepts and methods of the National Income and Product Accounts, page 2-7).

<http://www.bea.gov/national/pdf/NIPAhandbookch1-4.pdf>

**Indirect effects** occur because industries purchase inputs from other industries. If a construction project requires steel beams, there will be indirect effects on iron mining and coke producing industries.

**Induced effects** result from households spending the wage and salary income received by those employed directly or indirectly on the new activity.

**Input-output model** refers to a type of economic model designed to capture relationships among industries and ultimate consumers.

**Intermediate demand** refers to the demand of industry for the goods and services produced by other industries that will be used in the production process.

**Labor income** consists of employee compensation (including benefits), supplements to wages and salaries (such as employer contributions to pension funds), and proprietor's income.

**Output** refers to gross industry sales or expenditures depending on the consequences.

**Total effects** refer to the sum of direct, indirect, and induced effects.

**Value added** refers to the change in value of a good or service during each stage of production. Gross Domestic Product is a value added concept.





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