The Future of Healthcare Financing in America

Presented to the LIFE Membership

Timothy Rotarius, Ph.D., MBA
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The Future of Healthcare Financing in America

Healthcare is a Big Business

$ 3,200,000,000,000 per year
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$ 3,200,000,000,000 per year
$ 267,000,000,000 per month
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Healthcare is a Big Business

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$ 267,000,000,000 per month
$ 8,800,000,000 per day
$ 365,000,000 per hour
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Healthcare is a Big Business

$ 3,200,000,000,000 per year
$ 267,000,000,000 per month
$ 8,800,000,000 per day
$ 365,000,000 per hour
$ 6,000,000 per minute
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$ 3,200,000,000,000 per year
$ 267,000,000,000 per month
$ 8,800,000,000 per day
$ 365,000,000 per hour
$ 6,000,000 per minute
$ 100,000 per second
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Healthcare Goals

- Lower Costs
- Increase Quality
- Improve Access
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Healthcare Reality

• Manage the Increase in Costs
• Increase Quality
• Control Access
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<table>
<thead>
<tr>
<th>Goals</th>
<th>Reality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower Costs</td>
<td>Manage the Increase in Costs</td>
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• The Patient Protection and Affordable Care Act (ACA)
  • Passed in 2010
  • Purported Goal: A Mechanism to Increase Patient Access

• Expected Results of ACA:
  • Improve access to primary and preventive care
  • Raise taxes via the individual mandate
  • Control costs via reduced reimbursement for Medicare ($500 Billion in reductions by 2020)
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Quote about ACA from Dr. Ben Carson
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• Healthcare Financing is a Subset of Total Government Spending

• Federal Government Currently Owes $19.1 Trillion

• It has been 20 years since the Federal Government did not have to borrow money.
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History of Federal Debt Levels

• When President Clinton Left Office: $ 5.7 Trillion
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- When President Bush Left Office: $9.9 Trillion
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• Each year $500 Billion to $1 Trillion is Added to the Debt
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• Just How Big a Problem is $19.1 Trillion Dollars in Debt?

• $19,100,000,000,000—That is a Bunch of Zeroes!

• How do we make sense of a number that is so big?
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  • Every citizen owes $60,000!

  • A stack of $1 bills would be 1,300,000 miles high (3 roundtrips to the moon!)
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• $1 Trillion = $1 Million x $1 Million

• That is:

\[ \$1,000,000 \times \$1,000,000 = \$1,000,000,000,000,000 \]
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If you wanted to pay off $19.1 Trillion by paying $250,000 per day, it would take _____ years!
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If you wanted to pay off $19.1 Trillion by paying $250,000 per day, it would take 209,300 years!
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If you wanted to pay off $19.1 Trillion by paying $1,000,000 per day, it would take _____ years!
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If you wanted to pay off $19.1 Trillion by paying $1,000,000 per day, it would take 52,300 years!
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• Federal Government Tax Collections = $3.3 Trillion per year

• Federal Government Spends = $3.8 Trillion per year

• Thus, Federal Government Deficit = ($500) Billion per year
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<table>
<thead>
<tr>
<th>Major Categories of Federal Government Expenses</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare &amp; Medicaid</td>
<td>$1.000 Trillion per year</td>
</tr>
<tr>
<td>Social Security</td>
<td>$900 Billion per year</td>
</tr>
<tr>
<td>Military</td>
<td>$600 Billion per year</td>
</tr>
<tr>
<td>Welfare</td>
<td>$300 Billion per year</td>
</tr>
<tr>
<td>Pensions</td>
<td>$300 Billion per year</td>
</tr>
<tr>
<td>Interest on Debt</td>
<td>$200 Billion per year</td>
</tr>
<tr>
<td>Other</td>
<td>$500 Billion per year</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3.800 Trillion per year</strong></td>
</tr>
</tbody>
</table>
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• The only category that is available for reducing is: Medicare & Medicaid: $1.0 Trillion per year

• ACA created Independent Payment Advisory Board (IPAB)
  • 15 unelected individuals
  
  • Chosen by then-current President (thus, ideologically-driven)

• Active since 2014
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Independent Payment Advisory Board

• Recommendations of IPAB become law unless Congress specifically passes a law forbidding the recommendation.

• Stated Purpose of IPAB: Reduce the “per person” increase in Medicare spending.
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Independent Payment Advisory Board

• If reimbursement is too low, Medicare patients will have a hard time finding a physician willing to treat them.
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• If reimbursements cannot go any lower, the only other alternative is to ration health care.
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Independent Payment Advisory Board

• If reimbursement is too low, Medicare patients will have a hard time finding a physician willing to treat them.

• If reimbursements cannot go any lower, the only other alternative is to **ration** health care.

• New standards for care have already been presented that change the age when specific treatments (a) become effective or (b) cease to provide quality outcomes.
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Questions?

Comments?