Healthcare Landscape 2016

Economics Driving Healthcare Reform

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Professor of Health Administration

TEXAS STATE UNIVERSITY
The rising STAR of Texas
Speaker Bio

Since 1986, Michael Nowicki has taught at Texas State University where he is now Professor of Health Administration. Dr. Nowicki teaches healthcare accounting, financial management, and economics in both the graduate and undergraduate programs in healthcare administration. Dr Nowicki has received numerous university and professional association awards for his teaching, service, and research.

Prior to joining Texas State, Dr. Nowicki held administrative positions in the hospital division of Humana, Valley Medical Center of Fresno, Hutzel Hospital in the Detroit Medical Center, Georgetown Medical Center, and Lubbock Medical Center. In addition to his teaching responsibilities, Dr. Nowicki has provided training support to such organizations as Spectrum Health, Ascension Health, Indiana Health, Indiana Army National Guard, Cardinal Health, Kaiser-Permanente, University Hospitals in Cleveland, HCA, Mercy Hospitals of Northern Ohio, and the Baylor Healthcare System, as well as numerous law firms litigating malpractice cases.

At the 2006 site visit by Commission on Accreditation of Health Management Education, Dr. Nowicki’s research was singled out as a “strength” of the Texas State program. This comment was based not only on his textbooks, but also on his numerous publications and presentations for organizations such as the American College of Healthcare Executives, the Healthcare Financial Management Association, the Association of University Programs in Health Administration, Voluntary Hospitals of America, the American Hospital Association, the Texas Hospital Association, the Texas Public Health Association, the Texas Medical Association, and the Texas Organization of Rural and Community Hospitals. Dr. Nowicki’s first textbook, *Introduction to the Financial Management of Healthcare Organizations*, was published by Health Administration Press in its sixth edition in 2015. Dr. Nowicki’s second textbook, *HFMA’s Introduction to Hospital Accounting* was published by Health Administration Press in its fifth edition in 2006.

Dr. Nowicki holds a bachelors degree in political science from Texas Tech University, a masters degree in health administration from The George Washington University, and a doctorate in educational policy studies and research from the University of Kentucky. He is board certified in healthcare financial management and a Fellow in the Healthcare Financial Management Association where he has served as President of the South Texas Chapter, Regional Executive for five-state Region 9, National Board Member, Chairman of the Chapter Services Council, Chairman of the Forums Council, and Chairman of the Board of Examiners. He is also board certified in healthcare management and a Fellow in the American College of Healthcare Executives and currently serves as the Regent for Central and South Texas. He can be contacted at nowicki@txstate.edu.
Total Debt as Percentage of GDP
Components of GDP by Percentage

- Exports
- Business Investment
- Government Spending
- Personal Consumption
Federal Budget

- Medicare, Medicaid, CHIP: 21%
- Defense: 20%
- Social Security: 20%
- Safety Net Programs: 13%
- Non-Security International: 1%
- All Other: 5%
- Medical Research: 2%
- Education: 2%
- Infrastructure: 3%
- Interest on Debt: 6%
- Benefits for Federal Employees & Vets: 7%

Revenue:
- 46% PIT
- 35% PT
- 10% CIT
- 9% Misc.
Percentage of Population 65+ and Percentage of Health Expenditures

<table>
<thead>
<tr>
<th>Year</th>
<th>Population (%)</th>
<th>Expenditures (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>12.4</td>
<td>23.6</td>
</tr>
<tr>
<td>1995</td>
<td>13.2</td>
<td>33.0</td>
</tr>
<tr>
<td>2030</td>
<td>20.0</td>
<td>52.5</td>
</tr>
</tbody>
</table>

- Yellow bars represent Population.
- Green bars represent Expenditures.
Funding Public Programs--Hypothetical

- Under 5
- 15 to 19
- 30 to 34
- 45 to 49
- 60 to 64
- 75 to 79
- Over 90

Hyp. (%)

Bar chart showing the hypothetical percentage funding for different age groups.
Funding Public Programs--Actual

- Under 5
- 15 to 19
- 30 to 34
- 45 to 49
- 60 to 64
- 75 to 79
- 90 to 94

Actual (%)
Generations by Size

- **Veterans** (born before 1946) represent 11 percent of the population.

- **Boomers** (born between 1946 and 1964) represent 25 percent of the population.

- **Generation X**, or Busters, (born between 1965 and 1981) represent 15 percent of the population.

- **Generation Y**, or Millennials, (born between 1982 and 1995) represent 27 percent of the population.

- **Generation Z**, or Net Generation, (born between 1996 and 2010) represent 22 percent of the population.
Percentage of Population by Cohort

- Veterans
- Baby Boomers
- Gen X
- Millennials
- Net Gen

Percentage

Health Spending as Percent of GDP


Health Expenditures by Source

Percentage

- Private HI: 32.7%
- Medicare: 20.4%
- Medicaid, Fed: 10.9%
- Medicaid, State: 10.1%
- Other HI: 6.3%
- Other TP and PH: 5.1%
- Out-of-Pocket: 10.8%
- Investment: 3.7%

Current Fiscal Policy is “Unsustainable”

- The “status quo” is not an option
  - We face large and growing structural deficits largely due to known demographic trends and rising healthcare costs.
  - GAO’s simulations show that balancing the budget in 2040 would require actions as large as
    - Cutting total federal government spending by as much as 60% or
    - Raising federal taxes to 2.5 times today’s level.

- Faster economic growth can help, but it cannot solve the problem
  - To eliminate the deficits using economic growth only, average annual growth would need to be in the double digit range for the next 75 years (for comparison, during the 1990’s, the economy grew at an annual average of 3.2%)

Alternatives

- **Private Sector**
  - Consolidation of both providers and payers*.
  - Transition to direct contracting

- **Quasi-Public Sector (Affordable Care Act)**
  - Federal laws addressing access, cost, and quality

- **Public Sector**
  - National Health Insurance/National Health Service

*See Becker’s Hospital Review—Anthem to buy Cigna—then there were three: 7 key points, July 23, 2015.
Direct Contracting

- Direct Contracting--The practice of large employers contracting directly with integrated delivery systems.
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- Employer

(IDS) (IDS)
## Direct Contracting in Transition

<table>
<thead>
<tr>
<th>Contract with Health Plan</th>
<th>Partner with Health Plan</th>
<th>Go it alone</th>
</tr>
</thead>
<tbody>
<tr>
<td>FFS</td>
<td>P4P</td>
<td>Provider-Sponsored</td>
</tr>
<tr>
<td>Shared Savings</td>
<td>Full Capitation</td>
<td>Provider-Sponsored with outsourced</td>
</tr>
<tr>
<td>Private Label</td>
<td></td>
<td>Provider-Sponsored</td>
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</tbody>
</table>

Lower Risk/Reward Tradeoffs Higher

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