

# *Healthcare Landscape 2018*

## **Economics Driving Healthcare Reform**

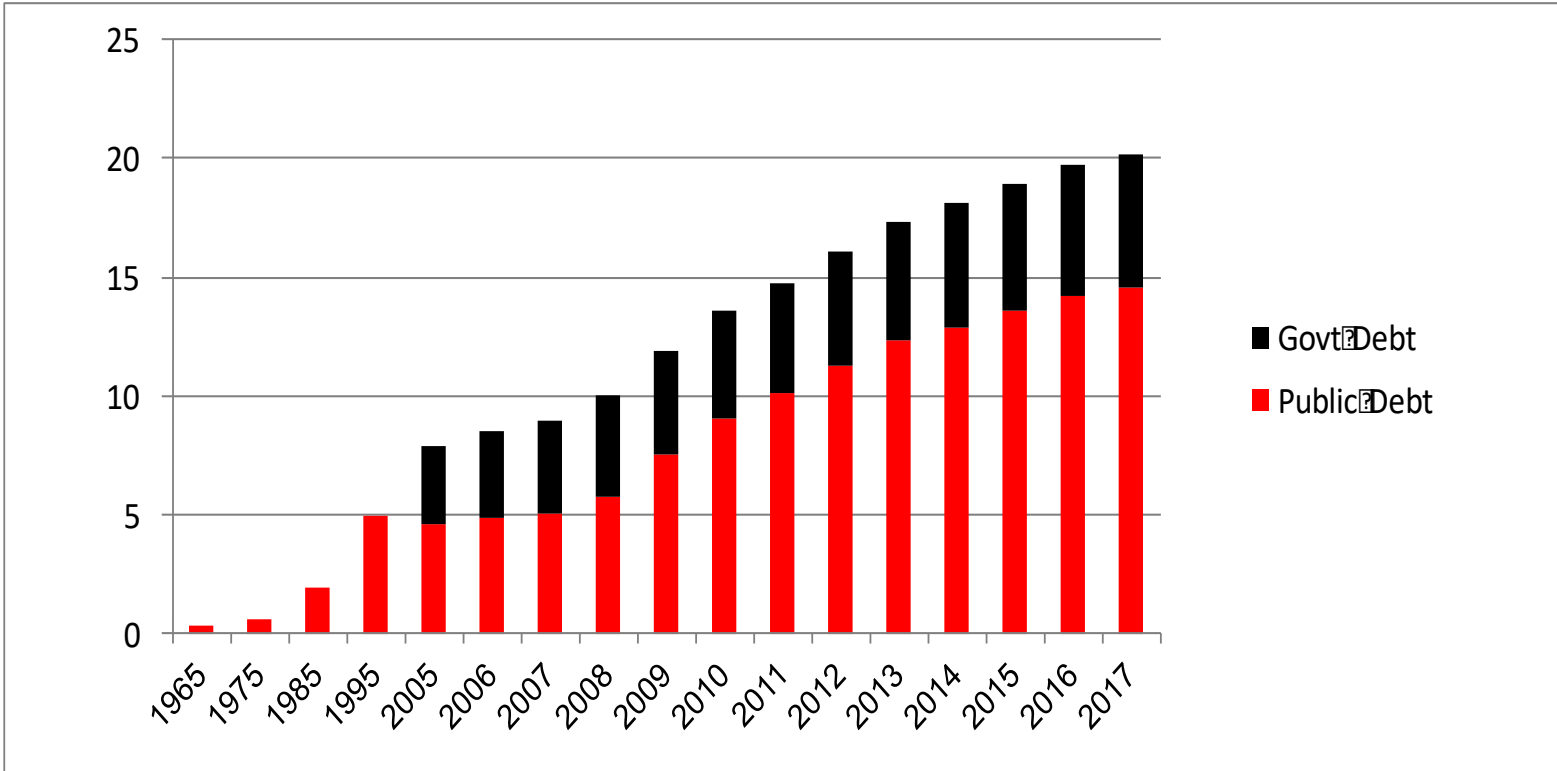
Michael Nowicki, MHA, EdD, FACHE, FHFMA  
Professor of Health Administration



*The rising STAR of Texas*

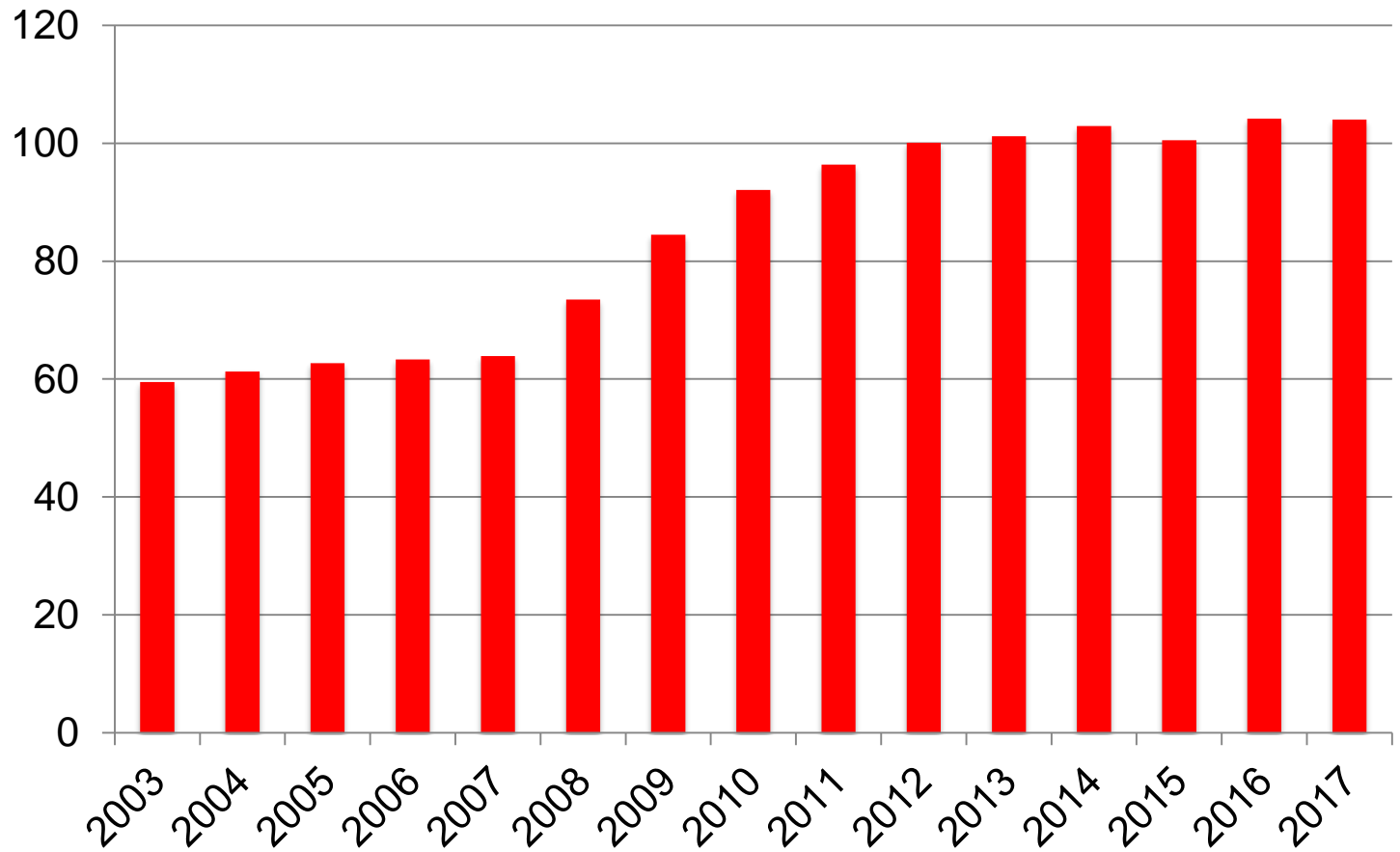
# Government Debt

(Trillions)



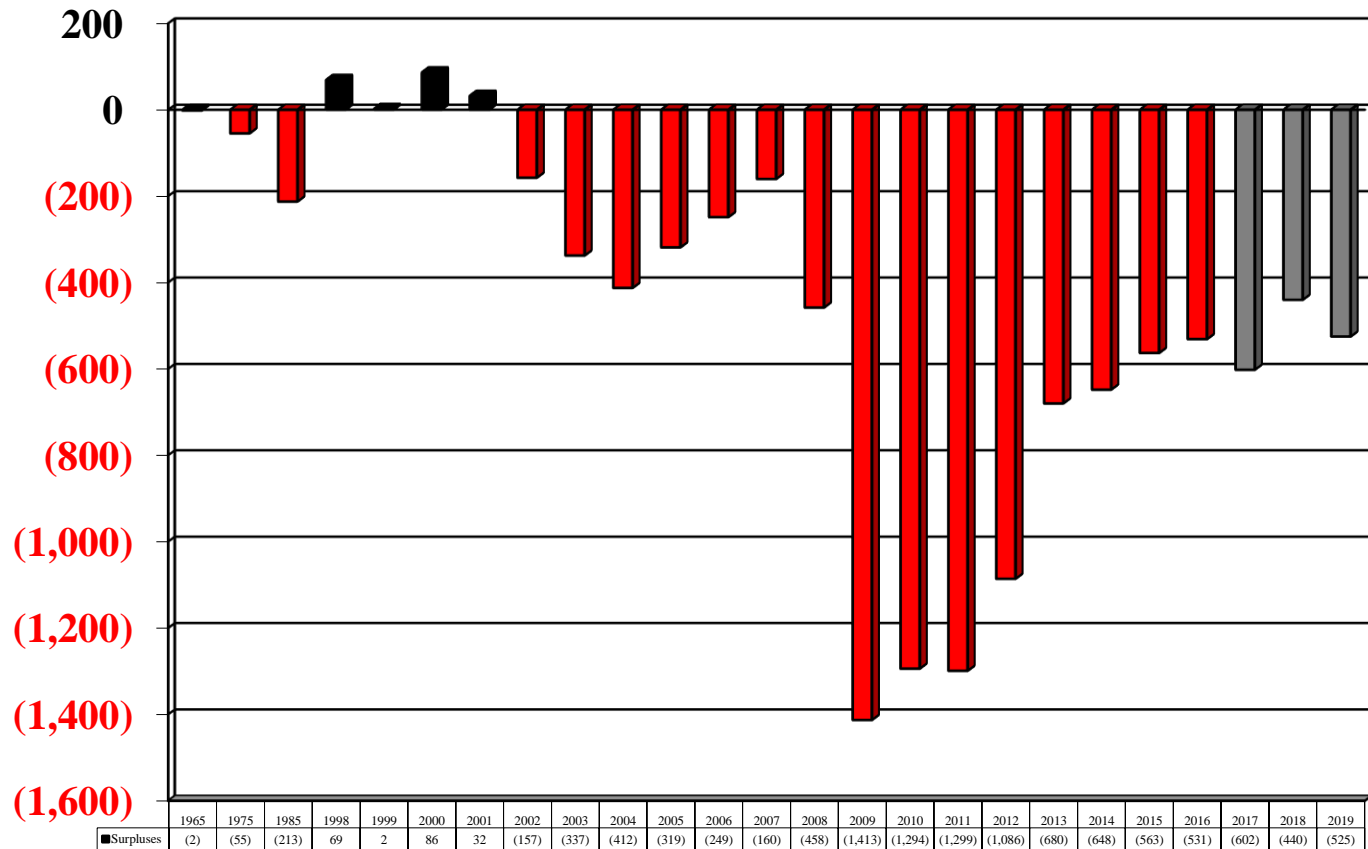
<http://www.publicdebt.treas.gov/opd/opdpdot.htm>

# Government Debt as % of GDP



# Federal Budget Surpluses/Deficits

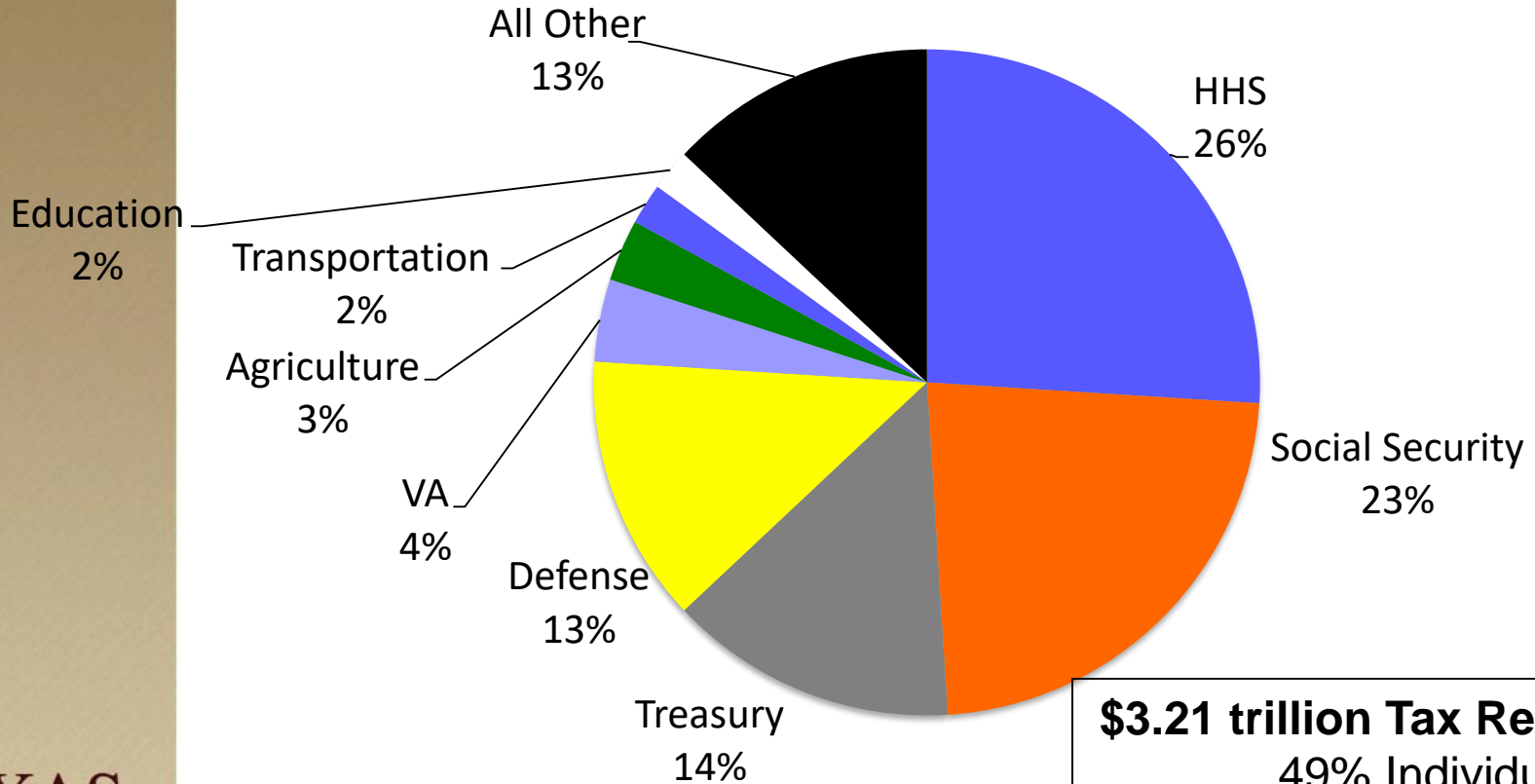
(Billions)



# Federal Government Spending FY 17

## \$3.65 trillion

Percent of Total

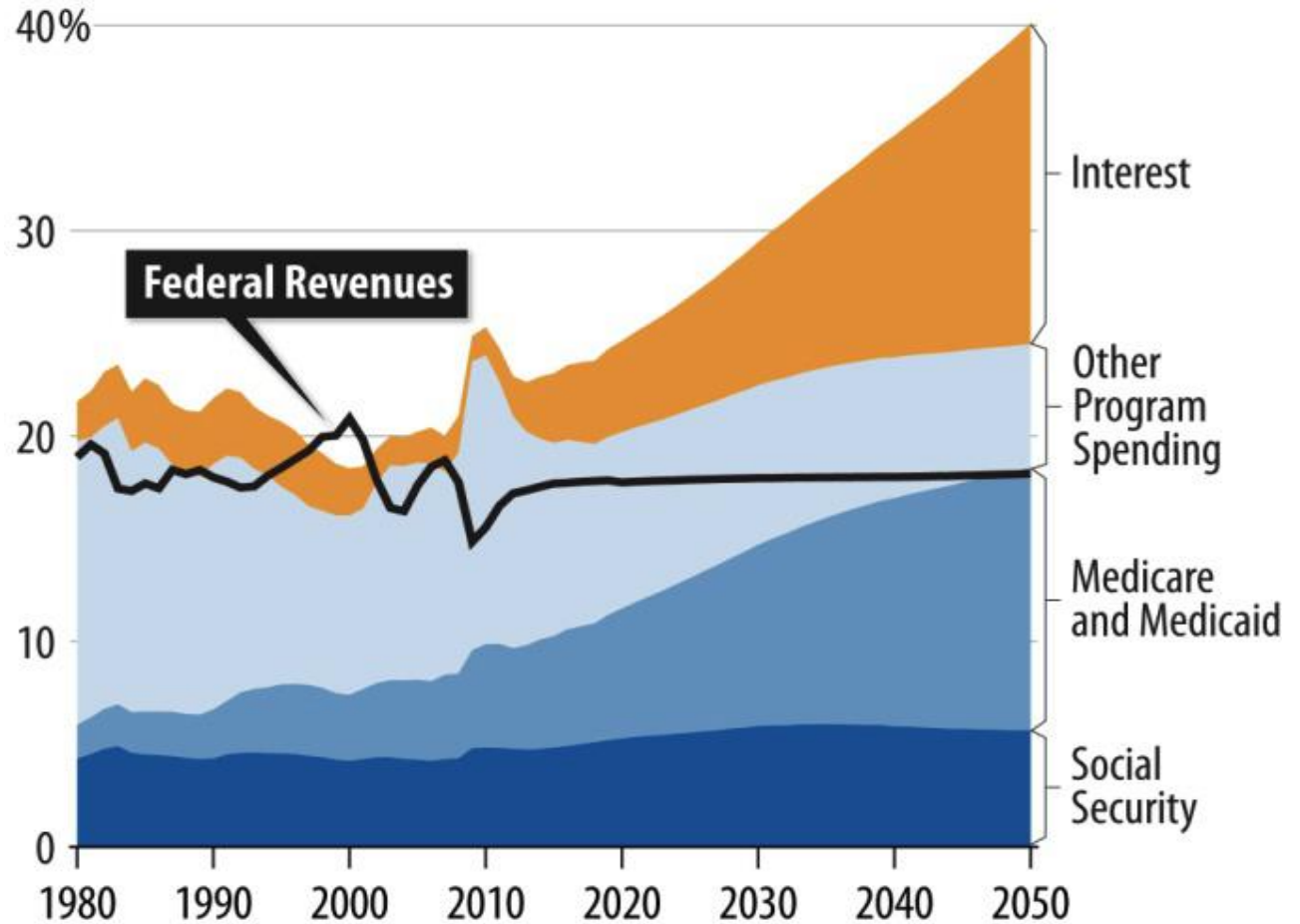


**\$3.21 trillion Tax Revenue**

49% Individual IT  
31% Payroll Taxes  
11% Corporate IT  
9% Other

# Federal Budget as % of GDP

Spending and Revenues as a Share of GDP



CBPP projections based on CBO data

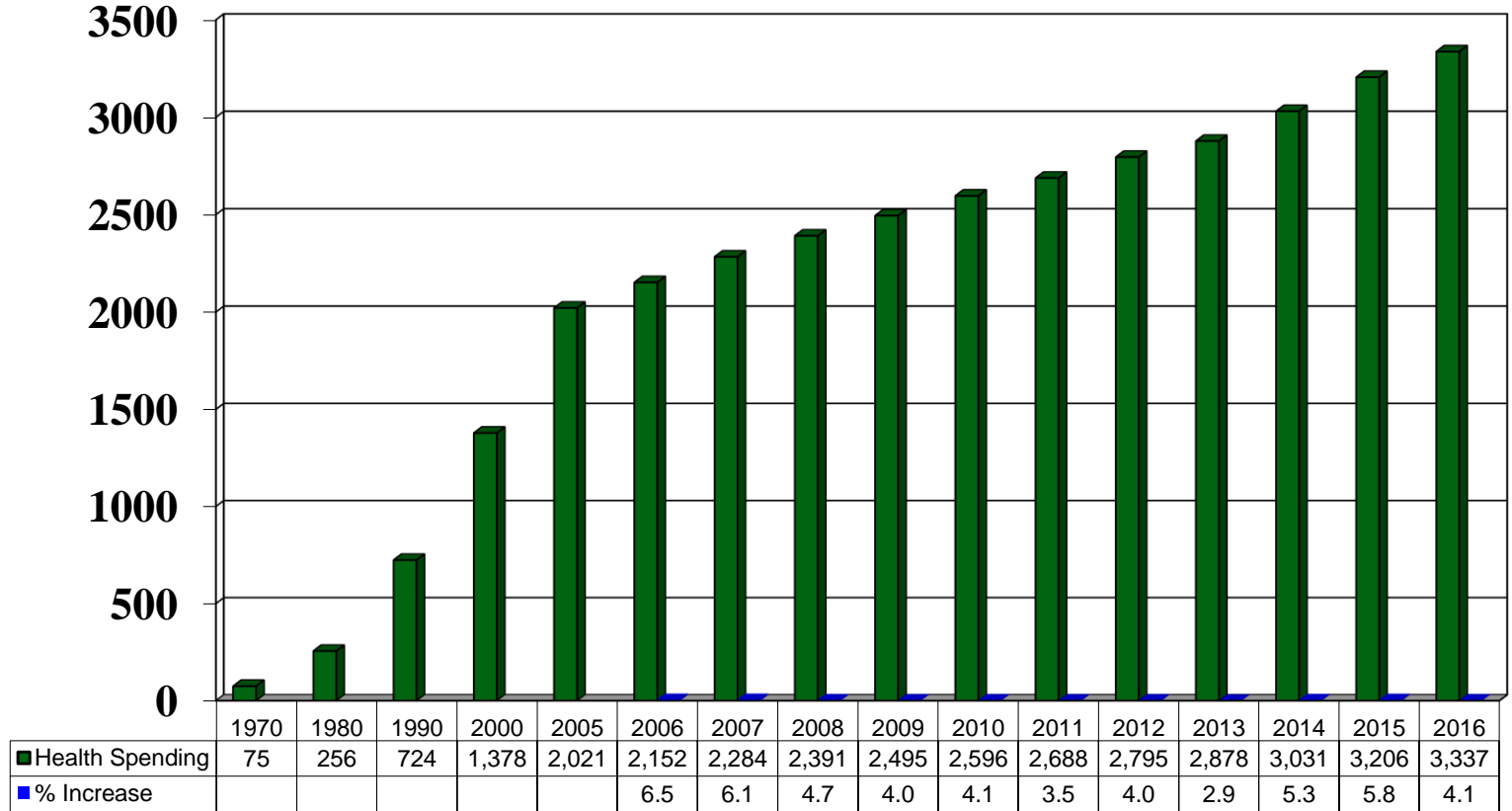
# Trust Funds

	OASI	DI	OASDI	HI
Spending exceeds income excluding interest	2010	2022	2010	2021
Spending exceeds income including interest	2022	2019	2022	2023
Year Trust Fund is depleted	2035	2028*	2034	2029

\*To save the disability portion of the social security trust fund, the 2015 Boener/McConnel budget deal increases the proportion of taxes to the disability portion from 1.8% to 2.37% for three years (subsequently extended six years to 2022)

# Health Spending

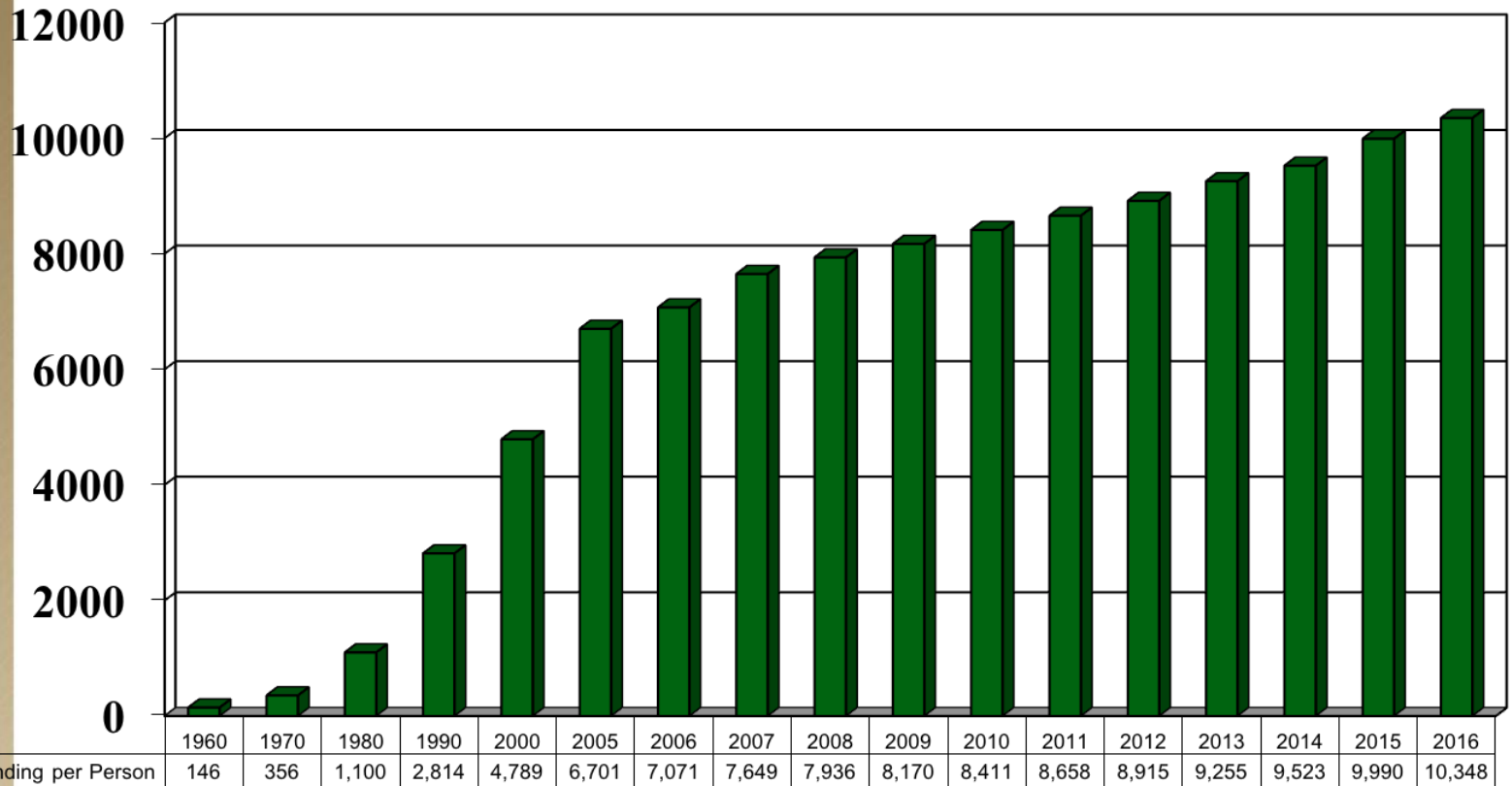
(in billions)



Hartman, M. et. al. (2018) *National Health Spending in 2016: Spending and Enrollment Slow after Initial Coverage Expansions*. [Health Affairs](#), 37(1): 1-11.

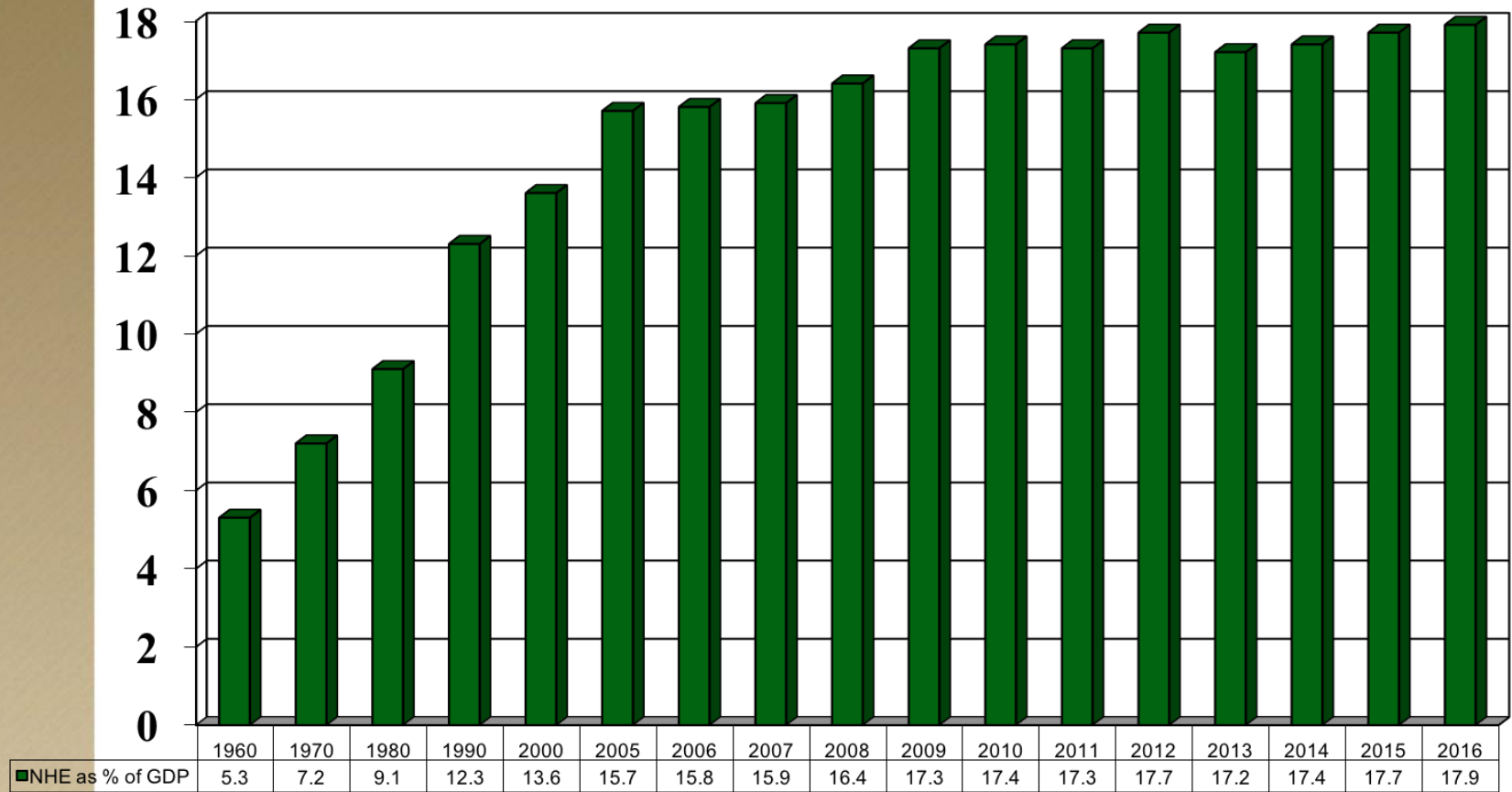


# Health Spending per Person

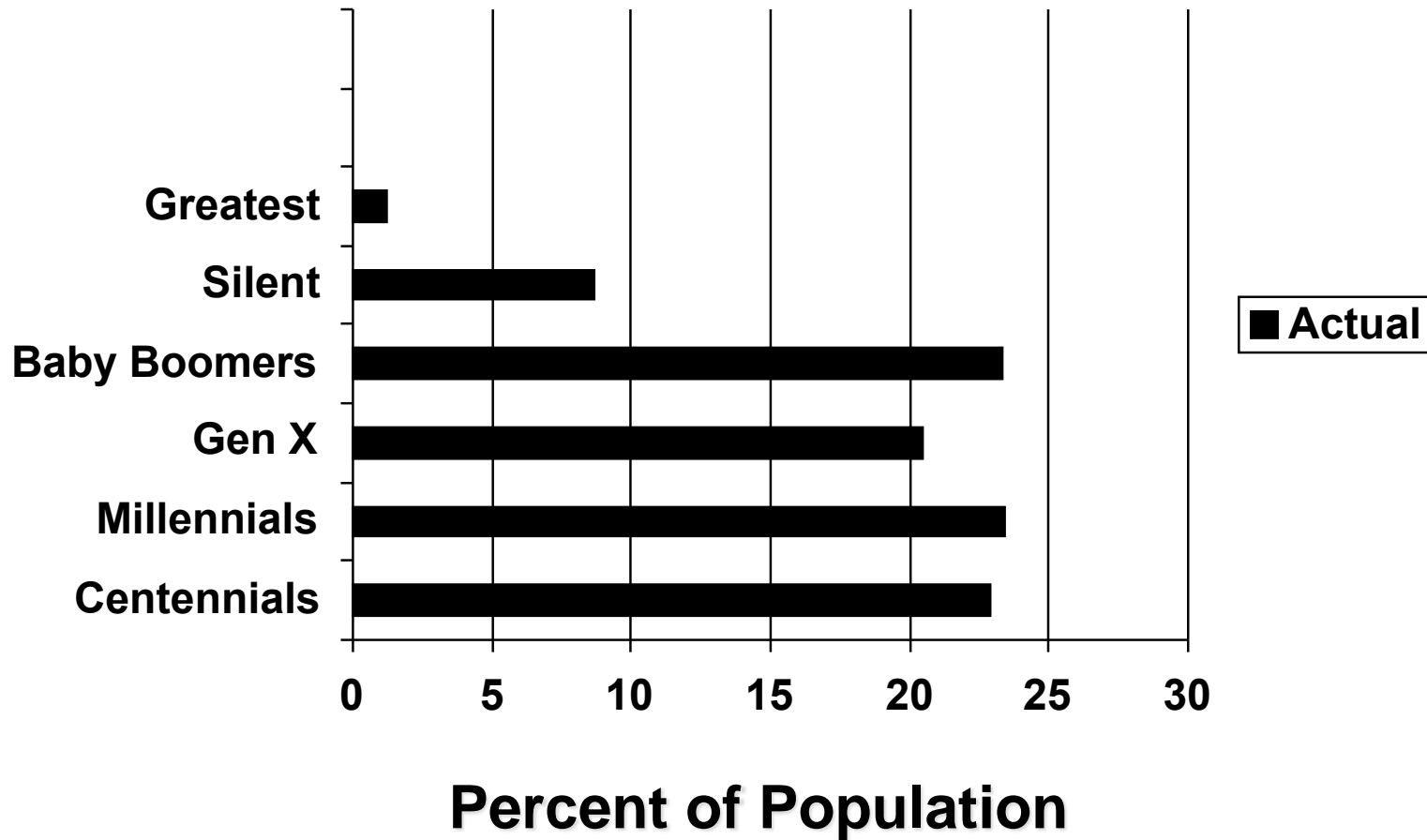


Hartman, M. et. al. (2018) *National Health Spending in 2016: Spending And Enrollment Growth Slow After Initial Coverage Expansions*. Health Affairs, 37(1) 1-11.

# Health Spending as % of GDP

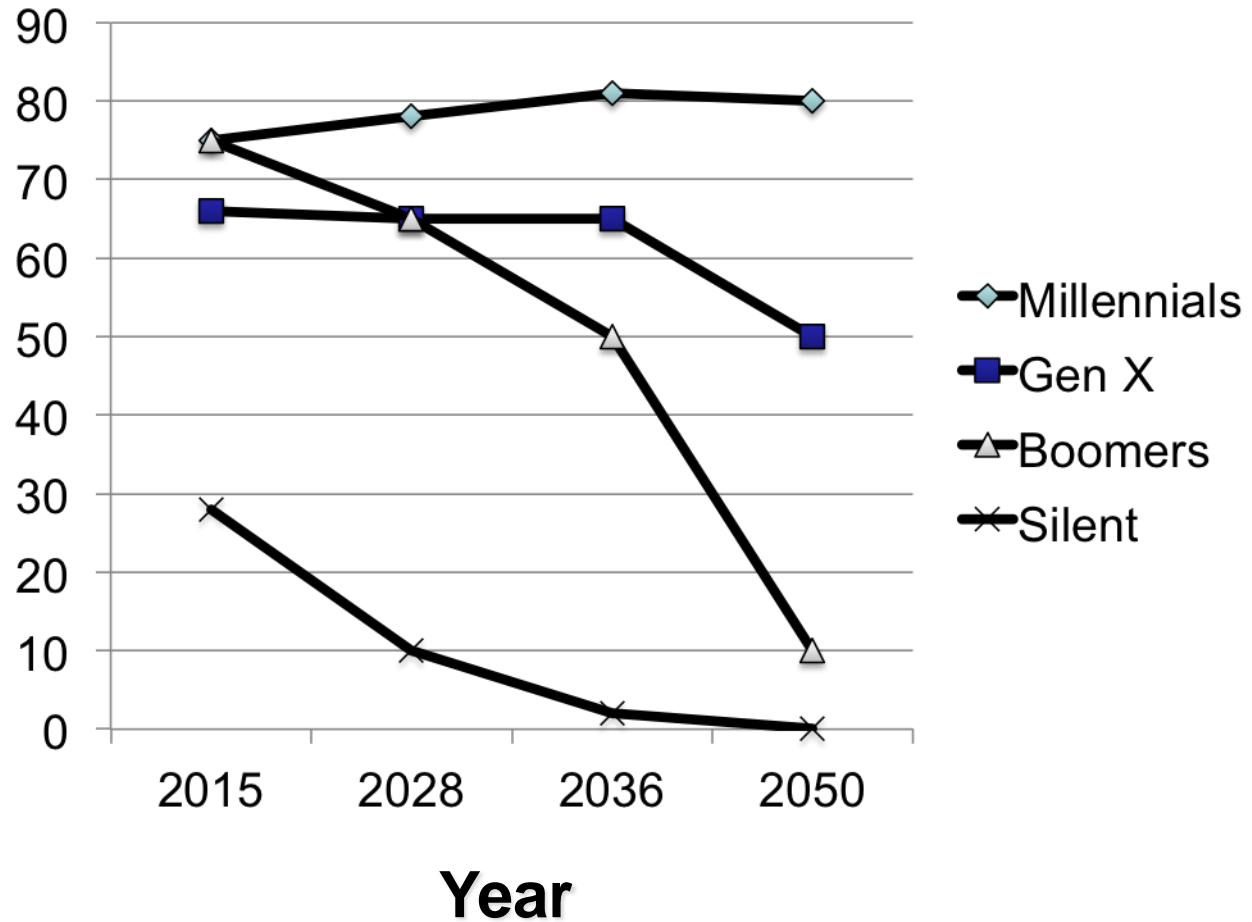


# Funding Public Programs



Cohort

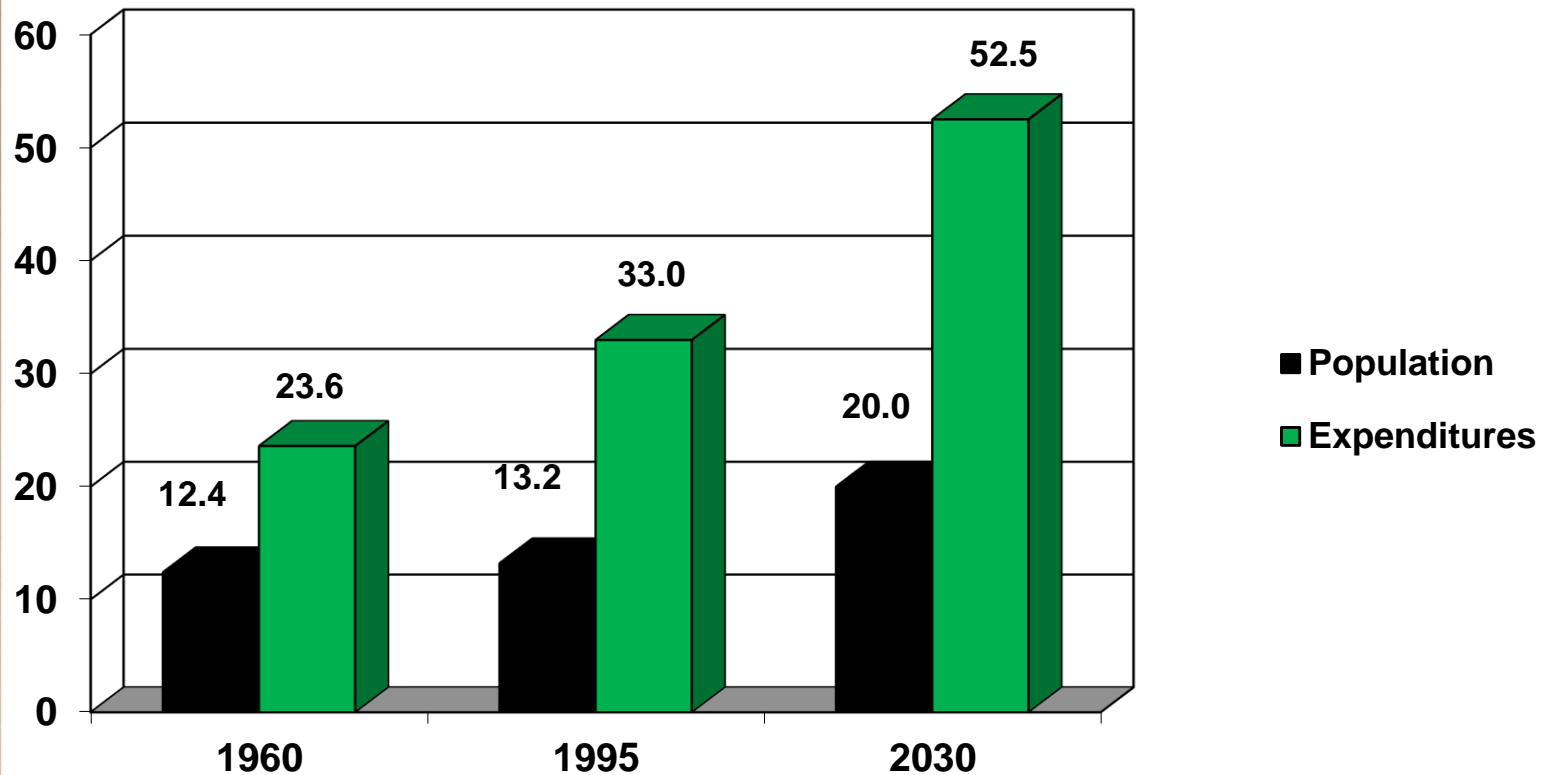
# Projections by Cohort



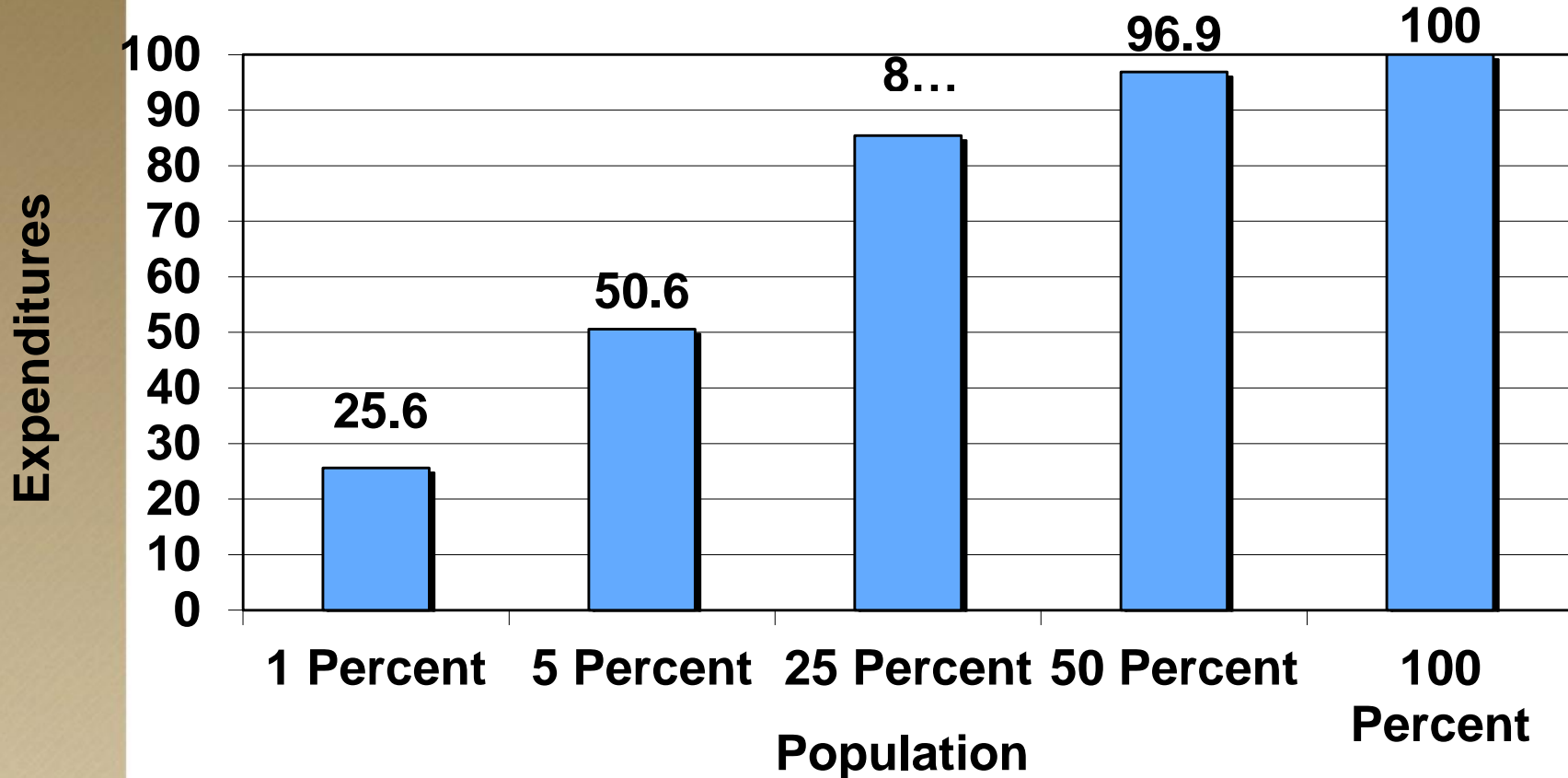
Millions

PEW Research Center. [www.pewresearch.org/fact-tank/2016/04/25/millennials-overtake-baby-boomers/](http://www.pewresearch.org/fact-tank/2016/04/25/millennials-overtake-baby-boomers/)

# Percentage of Population & Health Expenditures by 65+



# Distribution of U.S. Health Expenditures by percentile



Statista, (2018). *Distribution of U.S. healthcare spending by percentiles of the population in 2012.*

Cohen, S.B., and Yu, W. (2012). *Statistical Brief #354: The Concentration and Persistence in the Level of Health Expenditures over Time.* Available at [http://meps.ahrq.gov/mepsweb/data\\_files/publications/st354/stat354.html](http://meps.ahrq.gov/mepsweb/data_files/publications/st354/stat354.html)

# Reform Alternatives

## ❖ Private Sector

- Consolidation of both providers and payers
- Transition to direct contracting

## ❖ Quasi-Public Sector

- Federal laws addressing access, cost, and quality

## ❖ Public Sector

- National Health Insurance/Service

# Direct Contracting

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

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D  
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Insurance

Employer



# Direct Contracting

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I  
D  
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I  
D  
S

Employer

# The Affordable Care Act of 2010

## ❖ Access

- 16.4 million insured through the Marketplaces, Medicaid expansion, and young adults staying on parents policies.
- Uninsured rates drops from 18 percent in 2013 to 11.9 percent in 2015.

## ❖ Quality

- Readmit rates
- Hospital-acquired infections

## ❖ Cost

- Net cost for 10 years is about \$1.2 trillion.
- \$113 billion in reduced payments to hospitals

# Medicare Access and CHIPS Reauthorization Act of 2015

On April 16, 2015, President Obama signed the Medicare Access and CHIPS Reauthorization Act.

- Repeals SGR
- Physicians under Part B receive a .5 percent increase each year for 5 years.
- After 5 years, annual physician increases (or decreases) in payment will be based on 1) quality, 2) efficiency, 3) meaningful use criteria, and 4) clinical practice improvement, in a budget-neutral environment.
- Starting in 2019, physician increases will also be affected by their participation in an Advanced Payment Model (APM)

# Tax Cuts and Jobs Act of 2017

- ❖ Does repeal the individual shared responsibility penalty
  - Both as a dollar amount and a percent of income
  - Effective 2019
- ❖ Does not repeal Section 5000A or the requirement for individuals to have health insurance:

An applicable individual shall for each month beginning after 2013 ensure that the individual and any dependent of the individual who is an applicable individual, is covered under minimum essential coverage for such month.

CBO estimates that repeal of the individual mandate would reduce federal expenditures by \$338 billion over 10 years, but repeal of the penalty would reduce federal expenditures by \$318 billion over the same 10 years.

Jost, T. (December 20, 2017). The Tax Bill And The Individual Mandate: What Happened, And What Does It Mean? **Health Affairs Blog**.