

Healthcare and Economic Development

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NEW MEXICO HEALTH CONNECTIONS

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Healthcare is Growing

National

- National Insurance stocks – Best performance ever
- Hospitals and physicians do well too
- Pharmaceuticals - brand and generic explosion

State

- Medicaid grows 200,000+
- Exchange – 50,000 (out of 200,000)
- Albuquerque – Building Boom



Good for the Economy

- Local Job Growth
- Secondary revenue impacts via Federal Funds for Medicaid
- Healthcare spending growing in New Mexico



BUT: Are We Robbing Peter to Pay Paul?

- Deductibles and out of pocket payments growing
- Annual health insurance increases still exceed inflation by 2 – 3 times
- What gets spent on healthcare and insurance doesn't get spent on something else
- Medicaid vs. Education in the state
- Medicare vs. a balanced national budget
- Business growth and R & D



What to do?

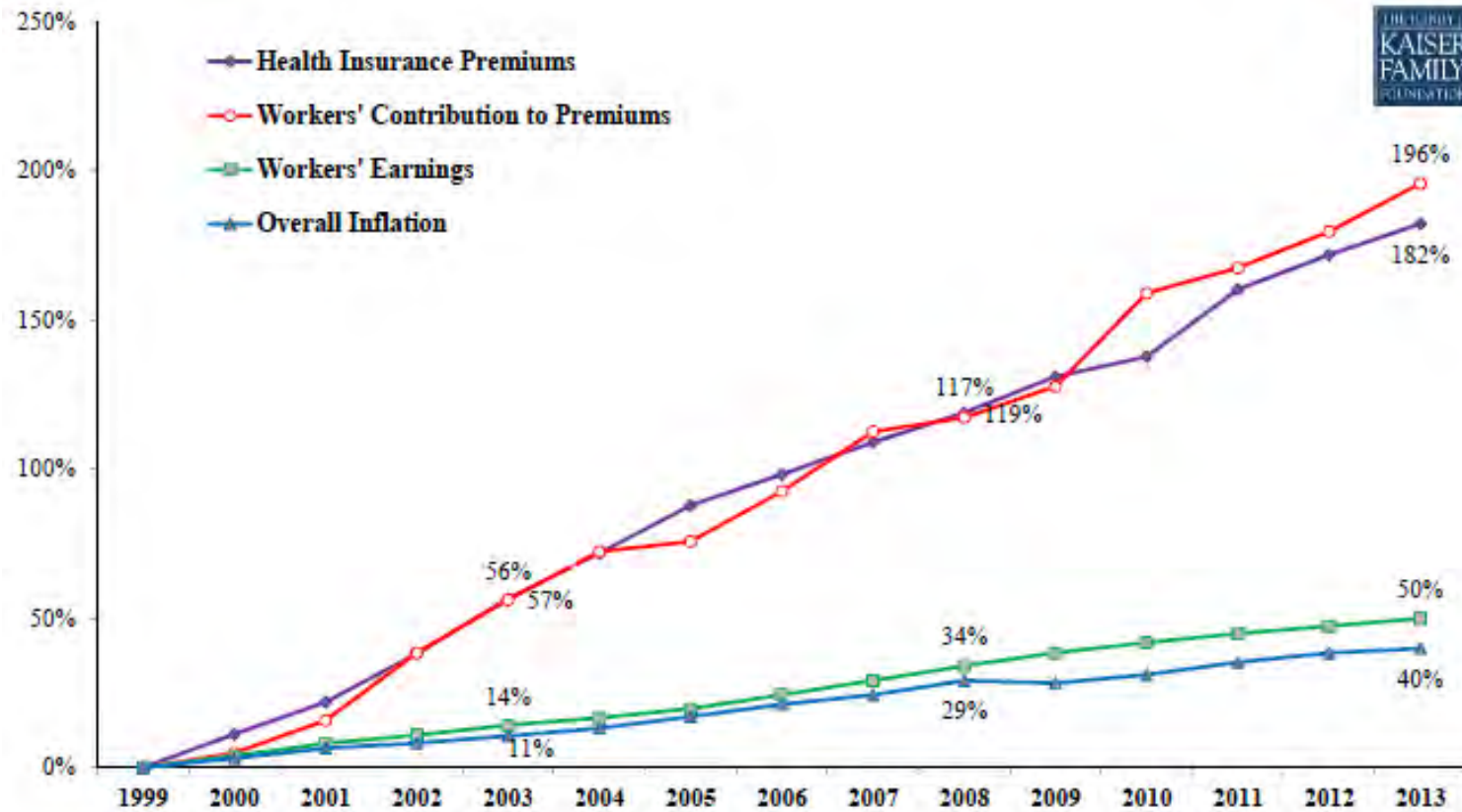
- Assess value
- Bring market systems and true competition to bear



Value Question

- Growth of health costs vs wages
- Volume
- International competition
- Waste
- Exponential growth
- Demand

What's Wrong With This Picture?



SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2013. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999-2013; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2013 (April to April).

Industry Trends - 4/30/09



- "Pittsburgh has more MRI Machines than Canada" (*Healthcare Economist*)
- "Scans per thousand insured people went from 85 to 234 in the U.S. between 1999 and 2007." (*Forbes*)
- "Side effects to these scans, including increased levels of radiation exposure, especially dangerous for kids." (*The New England Journal of Medicine*)
- "A doctor who owns his own machine is four times likely to order a scan as a doctor who doesn't." (*Forbes*)
- "Nonradiologists performing their own imaging are at least 1.7-7.7 times as likely to order imaging as non-self-referring physicians." (*AJR:179, October 2002*)



It is the American Way...

BUT!

2 X Average GDP is spent on
Healthcare in US vs. what
other industrialized countries
spend

Morbidity and Mortality is 38th
in the industrialized nations



Entrepreneurism

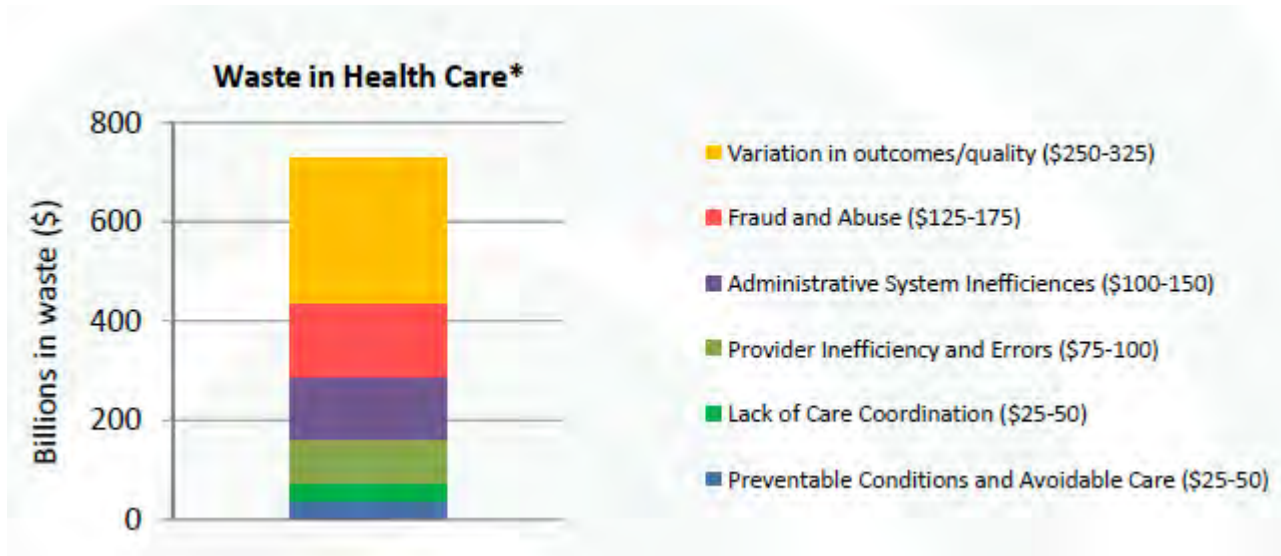


Value?

Waste / Inefficiency Still a Key Issue

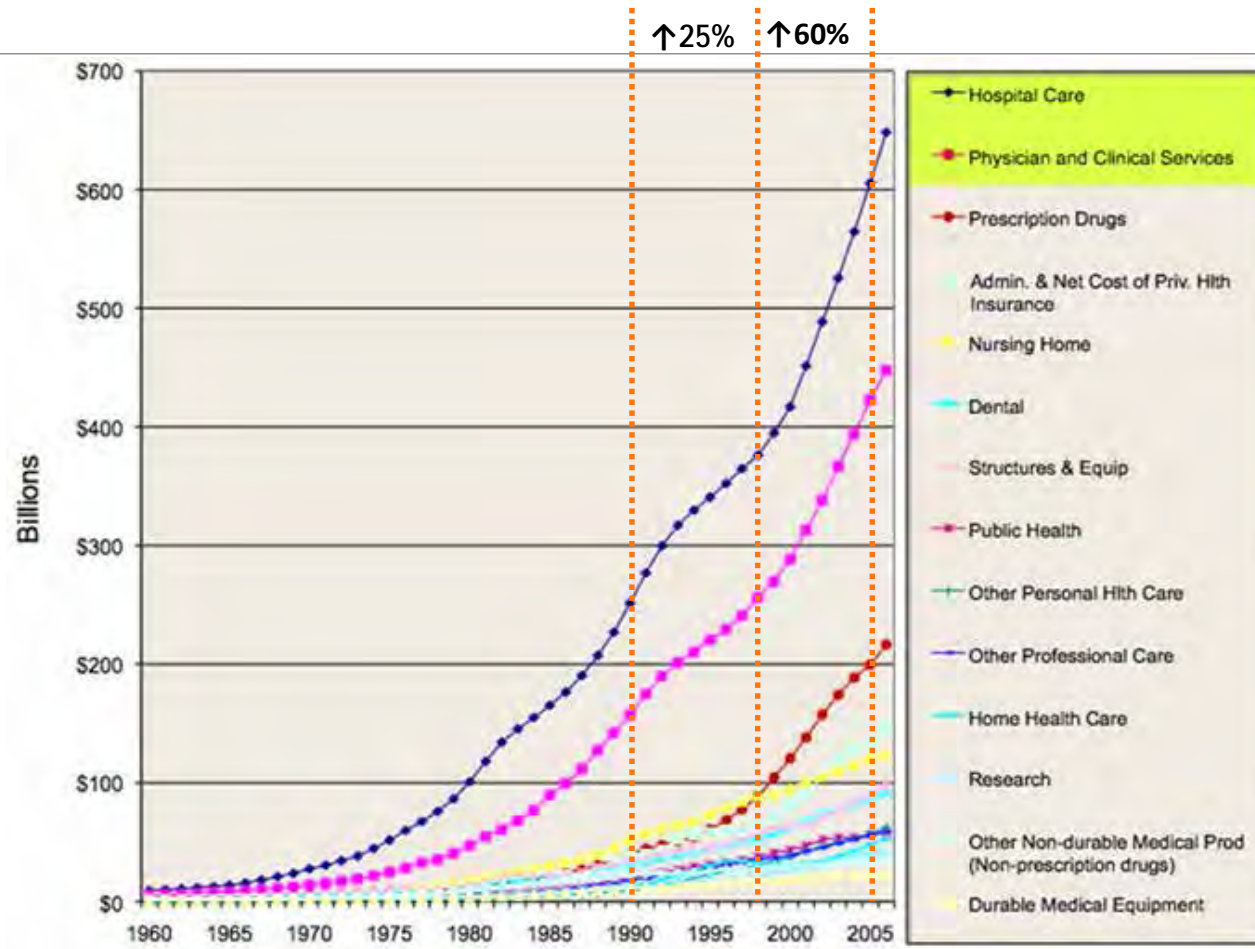
Eliminate 'waste' in health care that accounts for 30% of cost

- Unrealized system cost savings
- Variation around clinical outcomes/quality



* Source: Thomson Reuters White Paper "Where can \$700 billion in waste be cut annually from the U.S. Healthcare System, - October, 2009"

“What Goes Up Must...” Currently Defying Gravity



The rate of growth in expenditures on hospital care and physician & clinical services is remarkable.

And while that rate of growth has been on a steep upward curve for two decades, the curve becomes nearly vertical in the last five years.

Data shown is total, inflation adjusted dollars that are going into healthcare through commercial insurance, Medicare, and Medicaid
Source: Neal C. Hogan, PhD. BDG Advisors, LLC. *The End of the Third Bubble*. Winter 2009.

The Pen



The most expensive piece of medical equipment ever developed

Market Competition = ACA Policy

ACA Theory

- Exchange choice
- Law of large numbers
- Guaranteed issue
- 2017 rate JUMP
- Politics



Market Competition: Analytics

- Predictive modeling
- Transparency
- Shopper / Navigator comparison
- Informed choice



Market Competition: Provider Risk

- Volume / fee for service
- Provider assumption of risk
- Improved health – less cost
- System connumdrum



Achieving Value

- Predictive modeling
- Transparency
- Shine the flashlight: How health economics really work
- Align financing and incentives with better health
 - ü Primary care navigation
 - ü Risk to providers
 - ü Better health leads to lower costs – fewer hospitalization (highest cost)
- Informed consumers



THANK YOU

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