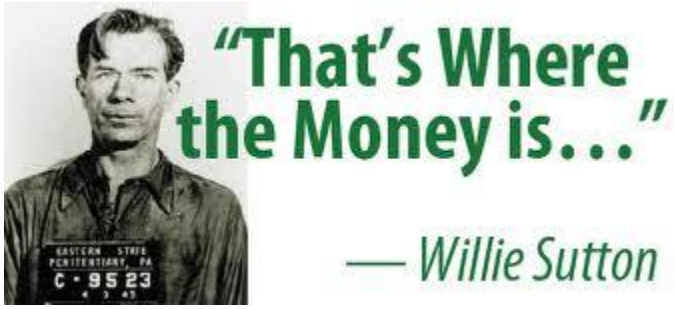
It's Always About the Money!

Why did Obamacare repeal fail? If you think repeal failed due to a lack of leadership, think again. If you think repeal failed due to Republican infighting, think again. If you think that Obamacare was just too wonderful to repeal, think again.

The real answer lies in two truisms.

The first comes from Willie Sutton, a famous bank-robber of the early part of last



century. When he was asked why he robbed banks, his answer was simple but timeless. He answered he robbed banks because that is where the money is.

The second truism is that if someone tells you "it's not about the money", you know for sure "it's about the money"

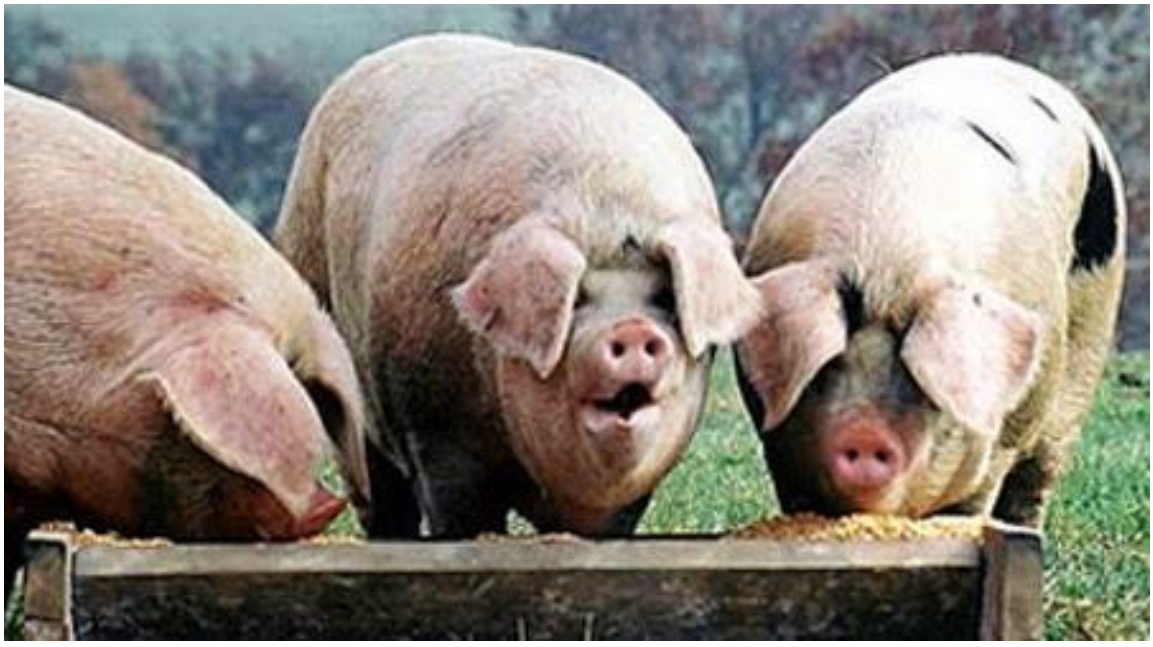
"It's Not About The Money" Is A Lie!!!

Let me explain. With the passage of Obamacare, the government literally started flooding money into the Medicaid system (Medi-Cal in California). Remember our friend Willie Sutton? If the Feds have the money, the trough is wide open to pillage and plunder. A new federal subsidy is never going to be repealed, so hunting season started early for the pigs at the trough. Just how big was the trough? Medicaid represents half a trillion dollars…now that is a trough. Oh boy, was there money to be made! Obamacare resulted in a growing pool of money that would continue to grow and grow bigtime. The government projected covering millions of more people at the cost of $4281 per person. The government was projecting up to 26 million new enrollees; if just 10 million new people enrolled, an additional $42 billion would be spent. Government projections are always

wrong. Can you think of a government project ever coming in under budget?

You could just hear hospitals, insurance administrators and bureaucrats salivating as they contemplated their windfall.

As the actual program came into being, the trough became even larger than expected. As predicted, government estimates were low. The true cost per individual was suddenly 50% higher than expected because of all the hands in the cookie jar. The new cost was $6399 per individual. Even better, just like a drug, the government was starting to mainline the lower part of the middle class into the system to make them dependent on their subsidy.



But you must remember that every politician and every feeder at the trough was proclaiming this wasn't about money, people's lives were at stake. They were saying this despite the fact that no one was being turned away from emergency rooms in the US. There was basically no one dying on the streets before Obamacare, so eliminating it would not result in that occurrence. Remember truism #2, it wasn't about the money…but of course it was.

So, now we have a subsidy provided by the taxpayers to voters who will scream that they are going to die if they don't get their free handouts. That, in of itself, might or might not have provided enough stopping power for Congress not to repeal the law. But ask yourself who else benefits, or as Willy Sutton would ask, where is the money? The insurers who provide the coverage get a piece of the action and the hospitals who receive the funds benefit from the added income.

Isn't it interesting that on March 8, the American Hospital Association sent a letter to the House of Representatives slamming the proposed Medicaid cuts that would result in "significant reductions in a program that provides services to our most vulnerable populations." Remember, hospitals are suddenly worried about the vulnerable, it's not about the money.

The next shoe to drop came from insurance companies, with their newfound concern for their clients. "Unexpectedly" The CEOs of America's Health Insurance Plans and the Blue Cross/Blue Shield Association blasted the Freedom Option, a new provision which would allow insurance companies to sell cheaper

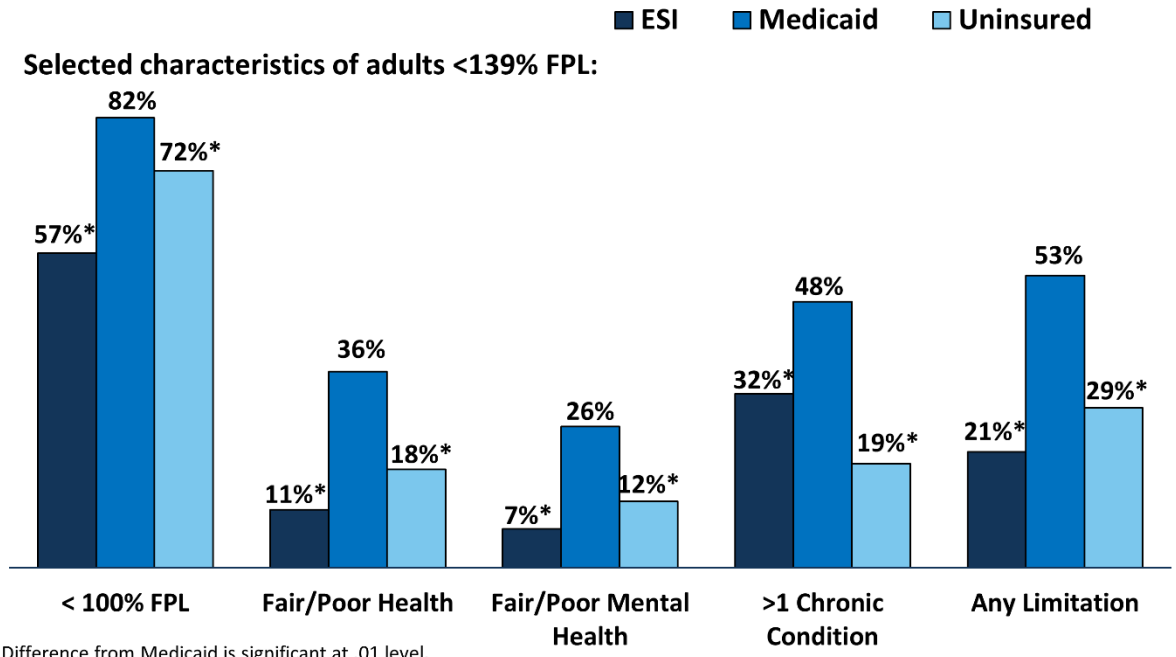
policies in the state exchanges without the popular mandated Obamacare benefits like maternity care. Obviously, their only concern was for the health of the patient, it wasn't about the money! See Truism #2.

Now you have the ingredients for disaster. You have newly entitled voters, hooked on government subsidies and then hospital lobbyists and insurance company lobbyists all fighting to preserve their cash cow. They want their money…I mean they want to protect their vulnerable. It's not politics, it's pure money hunger.

But it's worse than you could ever believe. You would think that individuals participating in the plan would get something of value, for example, better health outcomes. But contrary to that belief, a 2015 study showed the value is rather low. Harvard, MIT and Dartmouth economists got together and assessed Medicaid expansion and found that Medicaid's value to recipients is lower than the government's costs of the program, and usually substantially below. In addition,

Figure 2

Adults with Medicaid are both poorer and sicker than low-income adults with private health insurance.



*Difference from Medicaid is significant at .01 level.

SOURCE: Coughlin T et al., *What Difference Does Medicaid Make: Assessing Cost Effectiveness, Access, and Financial Protection under Medicaid for Low-Income Adults*, Kaiser Commission on Medicaid and the Uninsured, May 2013. Appendix Table 1, data from 2003-2009 MEPS.

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"Medicaid expansion enrollees did not have significant improvements in blood pressure, cholesterol, or blood sugar relative to people who did not enroll in Medicaid."

Oh, but we are just getting started. Of the $545 billion dollars of Medicaid money our government "spends" for care low value care, $67 billion is wasted on fraud and abuse. This number has increased dramatically since the inception of Obamacare; back in 2013 "just" $26 billion was attributed to fraud and abuse. You can come to your own conclusions, but doesn't it seem obvious that the dollars involved in improper payments and the numbers for the rising costs Medicaid expansion are moving in tandem? Maybe, just maybe, there is an association between increased fraud and increased costs paid for a low-quality program paid for by the taxpayer. Remember, it's not about the money, oh no. It's about the vulnerable. See rule #2.

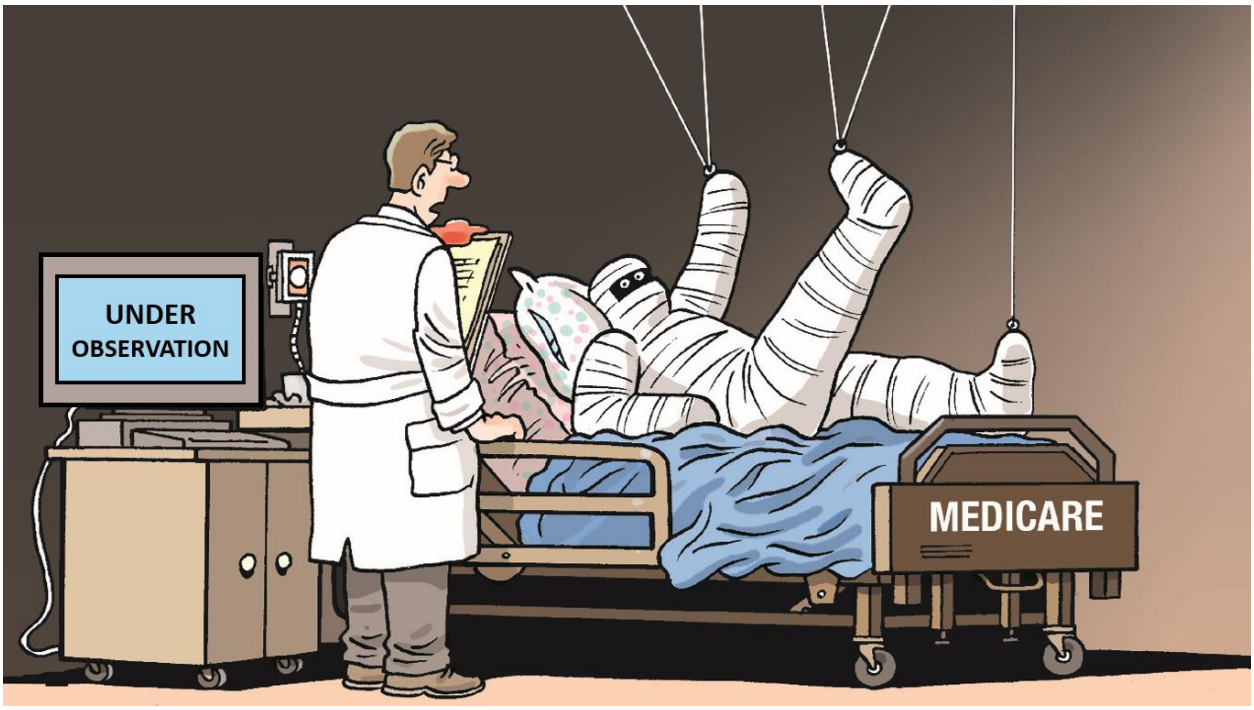
Oh, by the way, the Department of Health and Human Services pulled the reports on fraud from the Internet, states Forbes magazine.

It's A Crazy World Out There

Have you noticed the craziness with which hospitals admit patients? Has your patient ever been admitted for observation? What on earth is this all about? The first thing to know is that a hospital gets paid substantially less for observation then

a regular admission. And get this, you can have Mr. Jones admitted under observation and Mr. Smith admitted as a regular admission. They could both receive the same tests and the same treatment, but Medicare will pay two different fees based only on the type of admission. This can be a big deal for patients, since one is Medicare A (inpatient) and the other is Medicare B (outpatient). When reimbursements decrease, the patient usually owes more.

Oh, and did you know Medicare won't pay for a skilled nursing facility if the patient hasn't stayed three days with a regular (non-observation) admission? If Mr. Jones is admitted under observation for a CVA he will not be covered for his SNF stay. Mr. Smith will be.



There is sometimes another reason to admit to an observation bed. Medicare wants to reduce readmissions to the hospital. Hospitals are discharging earlier and earlier and readmission rates are going up, so Medicare decided to penalize hospital readmissions. So how do you avoid readmissions and penalties? Rather than being more careful regarding hospital discharges, you instead admit patients for observation.

This way the hospital never "admits" the patient in the first place, but classify their visit as observational. And voila, a readmitted patient just simply does not exist for the sake of statistics. Is this a cynical explanation for why some Medicare beneficiaries are not admitted to the hospital? You bet. And why should this be surprising?

Fun with numbers

Here are some amazing statistics from the investment website The Motley Fool:

- **The US spends $3.2 trillion on healthcare per year. That is trillion with a 'T'**.
- Almost 18% of US GDP (gross domestic product) is spent on healthcare or about $10,000 per person.

Wow, that is a lot of Benjamins. How about some more?

- If you asked the most casual observer who gets all the healthcare dollars, he/she would answer the rich doctors. In actuality though, physicians only get about 19.8% of healthcare dollars. Hospitals get 32.3%. Retail sales of medical products gets 13.5%, prescription drugs get 10%, nursing homes about 5% and dental services about 4%.
- Of our healthcare spending, 29% is government paid, 28% is paid by individual households and 20% by private business. That still leaves about 23% from another source, hmmm.

So just how many of us are there actually practicing medicine?

- ✓ There are 932,308 active physicians, about 48% are primary care and the others specialists. You could have fooled me. As I look on my street there are 99% plastic surgeons and 1% other doctors…I kid, I kid.

Are you ready for some really painful numbers?

- ✓ The average 65-year-old couple can expect to pay about $260,000 OUT OF POCKET for healthcare over the course of their retirement…this does not include long term care…. ouch!

For more just go to https://www.fool.com/retirement/2017/08/15/20-plus-healthcare-stats-that-will-blow-you-away.aspx

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