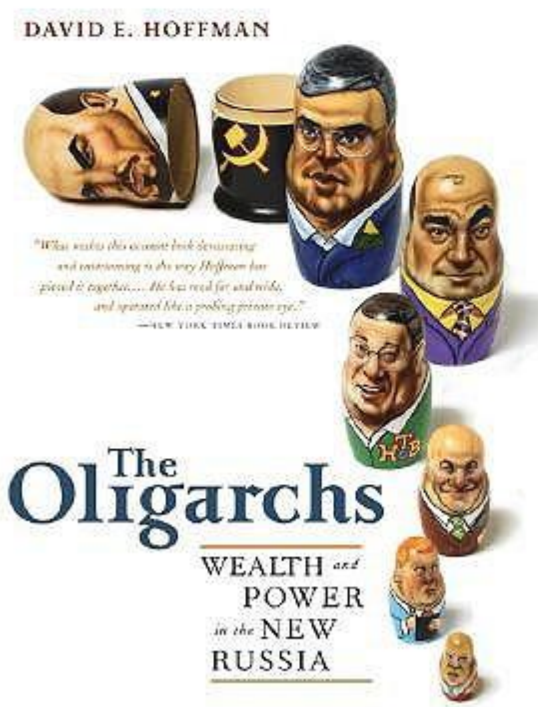
Private Practice Doctors
Preserving Personalized Care

The New U.S.~~S~~R. Oligarchs

Obamacare, we were told, would allow consumers increasing access to healthcare and a wider array of choices for their healthcare. Well, welcome to the healthcare version of Russia where oligarchs run the ship. Obamacare is causing massive consolidations, decreasing competition, creating larger government bailouts and decreasing access to healthcare. Wow Reed, that is quite an indictment. Please explain.



Here is a recent headline:

<u>Anthem acquiring Cigna in largest-ever health insurance deal: $54.2B</u>.

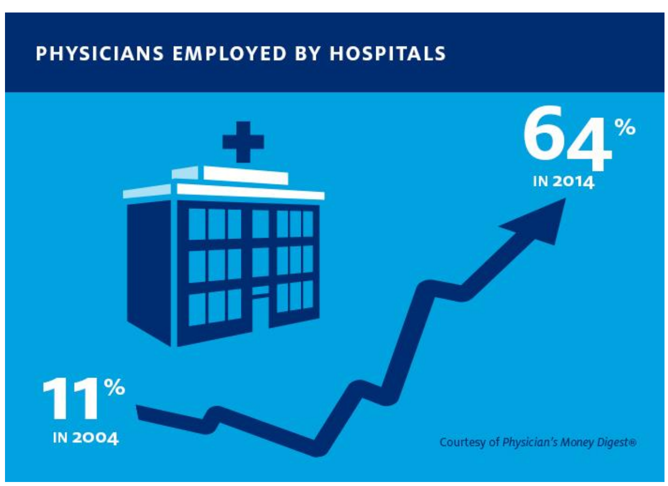
This was not an isolated instance but, instead, occurred on the heels of Aetna announcing a $37 billion deal to acquire Humana. As if this was not enough, we have discovered that Aetna is being pursued by United Health Group.

But this is only the beginning. Consolidation is happening industry wide. Hospital mergers are also on the rise. Last year, hospital mergers were 50% higher than the year before. Private physicians, who used to be the bulwark of the US healthcare system, are now a small minority of practicing physicians. All this results in less and less competition and as you know, the less competition, the less choice and the higher the prices.

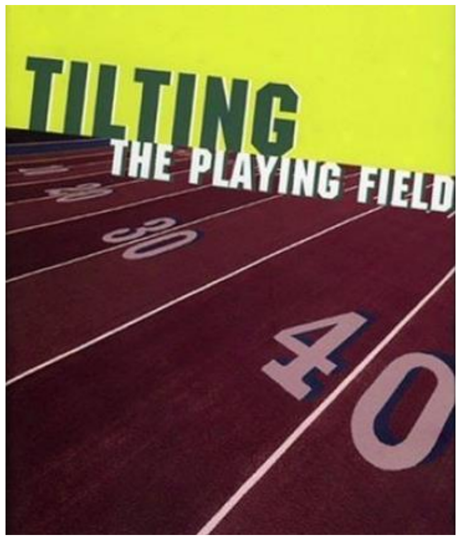
Was this an accident? Was this an unexpected outcome? Not really! The rocket scientists in Washington decided that they knew better than the market place. Consider the old Law of the Instrument which states "if all you have is a hammer, everything looks like a nail." If you are a government bureaucrat, everything can be solved by government rules and regulations. The politicians decided their first invention was not-for-profit co-ops. These co-ops were supposed to compete with those bad for-profit insurance companies. After all, how difficult could marketing insurance be? We now have an answer: 22 of the 23 co-ops lost money in 2014; 9 had medical loss ratios above 100%. During the last 6 months of 2014, the Department of Health and Human Services had to bail out six co-ops to the tune of $356,000,000. This seems to be working perfectly.

{Hot of the press at the time of this writing. It was announced just 7 hours ago that CoOpportunity Health just failed, leaving taxpayers on the hook for over $140 million dollars…this is to be joined by Louisiana Health Co-op on 12/31/15.}

The second thing the rocket scientists in Washington did was suggest to hospital networks that if they became large enough they could market their own health insurance plans. For this, big government extended subsidies to hospitals and made rules easier for them to own doctors. At the same time, they made it harder for doctors to stay independent. In 2014 there were 72 of these hospital-based provider plans released to the market. We will see what happens, but please realize this same idea was tried in the 1990's and failed miserably.



Step three of the government rocket science program consisted of tilting the playing field away from for-profit insurance companies with that famous government tool called regulation. The government placed a cap on operating expenses for the *for-profits* of 15%. For *not-for-profits* and *hospitals* that same cap was placed at 20%. Mind you, hospitals can shift costs between medical care and expenses because they own their doctors and fudge numbers. For-profits cannot do this. If wage and price controls have a familiar ring they nearly destroyed the US



economy in the 1970's. Of course wage and price controls totally controlled by the state is what that financial powerhouse, the Soviet Union does…or make that did.

Private businesses are in the business to survive. The only thing they could do was to merge and spread the costs and risks over more individuals to achieve survivability with a 15% cap.

All this was not an accident, it was a design. You cannot limit private enterprise, saddle private business with excessive regulations and pay doctors less and less and not expect the outcomes we are seeing.

As the WSJ notes, government made one giant error based on pure ideology. They assumed that with larger and fewer companies, there would be more capital to invest in innovation. But innovation rarely comes from large government controlled entities. Free markets and start-ups allow and feed innovation to maintain market share. When you believe government is the answer to all your problems, you come up with government as solutions to all your problems. Even failure will not dissuade those in charge as more and more government solutions are being proposed to solve the fiasco.

Don't just believe me? This situation can best be summed up in a few sentences by an article in Modern Health:

> "In the end, ObamaCare is a case study in how supposedly consumer-driven reforms end up benefiting big established companies, while hampering competitors responsible for most of the quality-improving and cost-cutting innovations.
>
> That's not what Obama promised. But it's what ObamaCare will inevitably produce."

Phony is as phony does

Last year the government signed up phony individuals in order to detect how well the ObamaCare subsidy system was working. Guess what, not only did most of these phonies succeed in getting subsidies, but they successfully re-enrolled in 2015 with larger subsidies for their premiums.

To quote the Associated Press, HealthCare.gov's document-processing contractor "is not required to seek to detect fraud, the contractor personnel involved in the document-verification process are not trained as fraud experts and do not perform antifraud duties."

Isn't that great, millions and millions of dollars of taxpayer funds pouring out and no one is there to see if any fraudulent activity is happening.

Look Ma, no Docs

ObamaCare has required a huge expansion of Medicaid or Medical in California. This expansion leads to a demand for services but no corresponding personnel to care for this. The funding of the states' Medicaid costs stays the same, meaning on average, the feds currently pay for about 57% of the states' Medicaid expenditures. Who is going to pay for this massive increase in Medicaid dollars mandated by

President Obama? California, surely does not have the extra cash. The ultimate result is that you have a system that has too many individuals, requiring too much from the amount of providers and not having the funds to pay for it.

Yep, that sounds like it will work.

Security is a warm blanket

We have spent several newsletters discussing security and look what falls into our laps

UCLA Health breach puts data at risk for 4.5M

UCLA's four hospital network were hit with a breach and UCLA "cannot rule out the possibility" that millions of individual records were compromised. This breach of security may have been going on for almost a year. To date in the US, we know of 135 million records that have been breached since 2009. I stress the key words "we know of". Yet, electronic medical records appears to be healthcare's panacea for all its woes.

And The Survey Says……

Deloitte interviewed real people and asked them what they thought about their healthcare coverage. Well, 30% of ObamaCare enrollees are happy with their plan. What is even more interesting is that even though their plan is subsidized, meaning they don't pay the whole price, they feel they can't cover the remaining costs or high deductibles. Makes you wonder what they are going to feel next year when most plans will see premium increases.   Another fact: last year the average deductible for a silver-level ObamaCare plan was $2,907, more than twice as much as the average deductible in an employer-sponsored plan. Who would have guessed that all those promises of saving $2500 per family was just a bunch of hogwash? I won't even get into, if you like your plan… or if you like your doctor…..

Are you driving a Cadillac?

Are you driving a Cadillac, health plan that is? Good chance you are and don't even know it. Lucky you, you are about to be hit by a Cadillac health plan tax. Here is the scoop. The upper limit you are allowed to have for yourself and employees is an individual limit of $10,200. Anything over that gets taxed at 40%. So here is an example from Forbes.

"Let's say you receive a health care package worth $15,000 from your employer. The individual limit is $10,200. That $15,000 plan would be subject to an excise tax of $1,920 per covered employee.

$15,000 plan – $10,200 limit = $4,800 overage
$4,800 overage x 40% tax rate = $1,920 excise tax"

So far, it's the employer who owes the bucks to the government, but if you are self-employed, you owe the money.

I don't know about you, but as I get older, I am at higher risk and my premiums go up. It's nice to know that I get the double whammy from the insurance company and then the government. How about you?

Private Practice Doctors, a new site for you!

Very shortly, we will be releasing a new version of our website. We will be bringing you new products and new savings in an easy to use format. We are excited about this opportunity to expand our horizons and help you save money. If you have any questions do not hesitate to write me at reed.wilson@privatepracticedoctors.com. Look out for our next announcement.