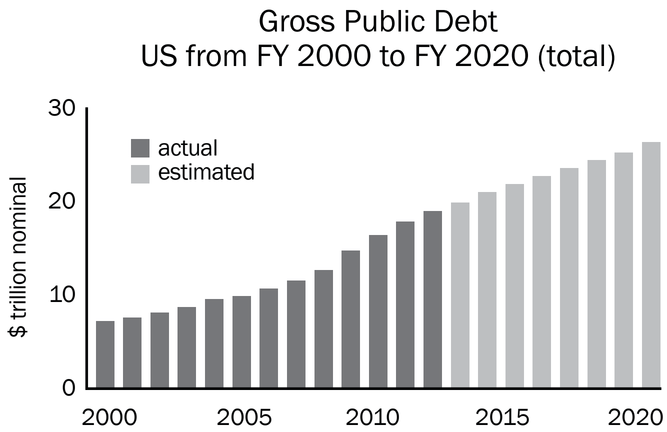
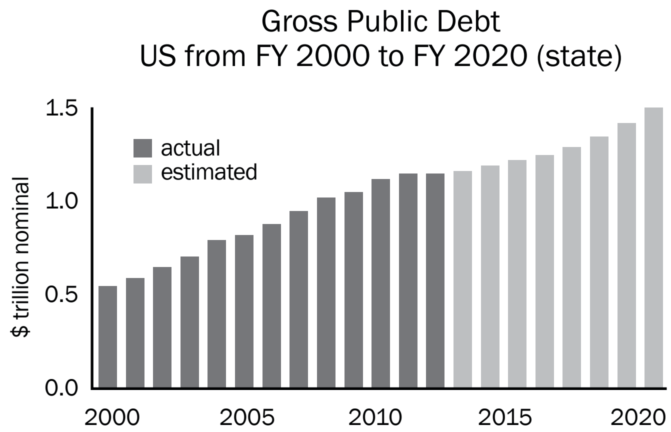
ECONOMIC
Forecast & Trends

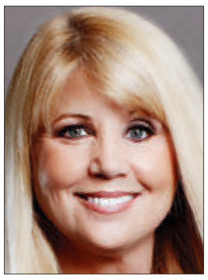
The Big Boom in Health Care as Boomers Age

By DANONE SIMPSON





The US government debt at the end of 2015 was $18.9 trillion dollars. This does not include our unfunded liabilities of entitlement programs like Social Security and Medicare. The Federal debt per person is $58,279. The total debt expected for 2016 is $22.4 trillion. In this decade alone, our federal debt has gone from $7T to $18T and in the next decade the debt is expected to hit above $25T (usgovernmentdebt.us). Our goal of anticipating the effect of these responsibilities is important.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The crippling impact for ACA on the federal debt will grow possibly beyond expectations, while the federal and participating state exchanges further enroll into these government subsidized programs. Twenty year olds make up the largest population. With totals reaching 1.57M in Covered California and 1,222,320 members subsidized per Covered California and enrollment into Medi-Cal 3 times what was expected, with 1 out of 3 Californians enrolled, there has been strain on the California budget. With the state government debt in the US expected to be $1.17T, we are headed for serious reality checks being ignored, despite the fact that this will impact us, our families and communities for generations to come.

We all have heard the messages by leading world economists stating that people are not saving enough towards their retirement. The boomer population is expected to retire much later than past generations, meaning that older workers keep working to collect more benefits – from healthcare to defined contribution plans – despite being unable to afford catch-up contributions. Life expectancy is longer today than in years past. According to the US Census and Social Security administration, today a 65 year old male's life expectancy is 82.2 and for females it is 84.9. The number of seniors age 65 and older – Medicare eligible in the United States – is estimated to almost double in 2050, going from 40.2M (2010) to 70.M (2030) and 88.5M (2050), according to the Administration on Aging. We are finding older workers are not yet taking Part B or supplemental plans, but instead are staying on their employer's plans, causing adverse selection.

There are 53M in the US today that live with a disability. This is one out of every five, according to the Center of Disease Control and Prevention. Those living with disabilities range from blindness to lack of mobility. This impacts individuals, their families and businesses through lost time or inability to work, creating higher medical cost, while many go on to COBRA.

Our healthcare system has gone through great changes in the last few years with the Affordable Care Act and previous regulations. State by state legislation differs in dramatic ways. In California, the companies with 50-99 employees go into small group (we are one of a few states doing this), while others are still under 50 for this segment. Carrier reps are working twelve hour days shifting employees to different departments, changing systems, rectifying massive errors, late enrollments, offshoring claims and administration. These impacts are far-reaching to our families who are trying to even gain access to the care they are now paying higher percentages of. A carrier rep said the other day that the individual enrollment is a root-cause impacting all departments. The ACA phases are jumping from fire to fire. Employer groups in Southern California are seeing higher copays and deductibles despite increases that average 3% to 10% and more for high claim loss ratios.

With older workers working later than normal retirement age, the burden of this cost in benefits is shifted to employers – while they are working hard to increase profits in this false economy. With presidential elections on the horizon, much is left to the unknown depending on the newly elected president. Higher populations in the US are aging, working longer into retirement due to a lack of retirement preparations, going into state or federal programs with subsidy, exhibiting higher percentages of homelessness (44.3M in L.A. county), and 20% with a disability, according to HUD Housing and Urban Development. Prescription costs are also expected to increase significantly according to carrier executives. All of these factors play a role in our federal and local economy having a significant impact on state and US debt, causing the debt ceiling to continue to rise for years to come.

The only solution for this is in promoting wellness and preventive care, having a healthier workforce, promoting saving for our future, and serving our communities. It sounds simple, yet as important as it is, the health and welfare statistics are still going in the wrong direction and will continue to if we don't take action.

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The Economy Picks Up Steam

The A. Gary Anderson Center for Economic Research at Chapman University recently released the results of its 38th annual economic forecast for the U.S., California and Orange County. The forecast was presented to about 1,500 business leaders at a conference held at the Segerstrom Center for the Arts in Costa Mesa. Following are highlights of the forecasts.

2016 U.S. Forecast

• While the short-run impact of the sharp drop in crude oil prices was negative in 2015, the Anderson Center's econometric model clearly points to positive effects emerging in 2016. Specifically, the model suggests that every one dollar decrease in the price of crude oil will increase real GDP by 0.03 percent three quarters later.

• Consumer spending, which accounts for about 70 percent of GDP, will be the major engine of growth in 2016. The Anderson Center forecasts low gasoline prices, low debt levels and continued gains in household wealth keeping consumer spending growth near three percent.

• A moderate pickup in export growth is expected in 2016 as the European and Asian markets improve. But because of the sharp increase in the value of the U.S. dollar, exports will definitely not be the growth machine it was during the early stages of the current recovery.

• The downward drift in the ISM Manufacturing Purchasing Managers Index to a recent level of 50 points to weak growth. But stronger growth in IT will lead to a pickup in investment spending to almost five percent. The fact that inventories of unsold homes are at historically low levels also augurs well for a strong housing market. Housing starts are forecasted to continue increasing but at a lower rate of growth. This suggests that housing will continue to be an engine of growth, but our projection calls for a slight deceleration.

• For the first time since the strong fiscal stimulus during the early stages of the current recovery, government spending is expected to be a positive force. Government purchases are forecasted to increase about $63 billion in 2016, adding about 0.4 percent growth in real GDP.

• Overall, The Anderson Center is forecasting real GDP to grow at a 2.8 percent rate in 2016. Real GDP growth of 2.8 percent is expected to generate enough job growth and pressure on wages to push inflation above two percent by mid-2016.

• The Anderson Center believes the pickup in real GDP growth, coupled with some buildup in inflationary pressure, should lead the Fed to increase the Fed funds rate by about 100 basis points through 2016. This will lead to a similar increase in the 90-day Treasury bill rate.

• The most recent statistics released by the Employment Development Department (EDD) show payroll employment in California at 16,199,000, about 745,000 above the peak achieved prior to the recession.

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The A. Gary Anderson Center for Economic Research (ACER) was established in 1979 to provide data, facilities and support in order to encourage the faculty and students at Chapman University to engage in economic and business research of high quality, and to disseminate the results of this research to the community.