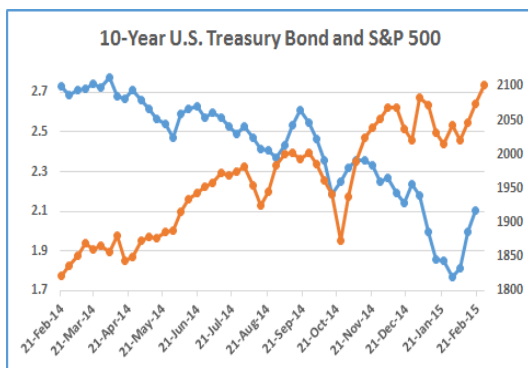


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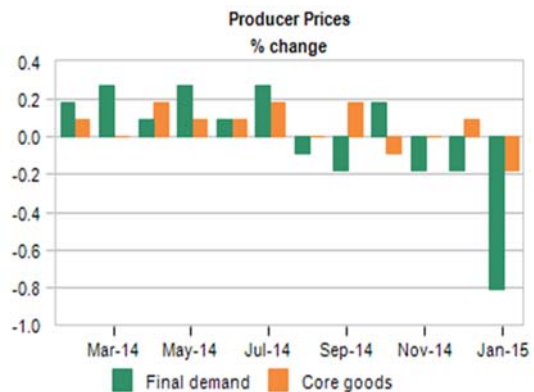
U.S. Economy – Financial Markets Rally on Greek Agreement

The ongoing Grecian drama continues. Euro finance ministers finally agreed to a four-month bailout extension for Greece. Greece still has to provide specifics about reform measures it will undertake by Monday, but this buys the time to work out a permanent solution. With the immediate crisis resolved U.S. financial markets rallied strongly. The S&P rose to a new high and interest rates rose. In fact the U.S. 10-year Bond has jumped nearly 40 bps from its low point at the depths of concern over the Eurozone economies.



The impact of low oil prices continued playing out last week as the producer price index for final demand plunged 0.8% in January. Sharp declines in energy costs continue to drive the

decrease, contributing to the 2.1% drop in goods prices. Overall producer prices are unchanged from last year, so consumer prices will also decelerate further over the next several months. Furthermore, the downward trend in producer prices will continue a while longer, since crude oil prices have only stabilized showing no sign of increasing soon. West Texas Intermediate crude continues to trade around \$50 per barrel, a more than 50% decline from midsummer. In addition, weak global growth and the stronger dollar are filtering through to core prices. Although the risk of disinflation increased in the U.S., unlike in the euro zone, this is not due to low aggregate demand making. So, the risk of deflation in the U.S. is low.



Florida Economy: A \$1.3 Billion Dollar Risk to Florida's Hospitals

Florida is facing the prospect of losing \$1.3 billion in federal Medicare funding for the fiscal year beginning July 1, 2015 – money that now pays for indigent healthcare provided by Florida's hospitals. Governor Scott's proposed budget for FY 2015-16 does not include any funding to offset this looming loss.

Florida got itself into this situation because: (a) it refused to sign onto the Affordable Care Act ("ACA"), (b) unlike six other states it refused to set up its own alternative to the ACA, and (c) it could not get the federal government to extend the indigent care funding program for hospitals (called the Low Income Pool or LIP) again this upcoming fiscal year.

Under federal law anyone showing up at a hospital needing treatment must be served regardless of their ability to pay. So, hospitals provide free indigent care and get some of the money back through the federal LIP and state LIP. \$1.3 billion last year. Since the federal government will not extend Florida's LIP, either: (a) the state budget must include such funds or (b) the hospitals will be forced to provide service without funding from the state and federal government. The loss of LIP exposes 124 Florida hospital to \$1.3 billion in unreimbursed cost for indigent care. Many of these hospitals are tax-supported public hospitals while most are private hospitals.

As a result, Florida's hospitals have teamed up with Associated Industries of Florida (a major business lobbying group) and many chambers to commerce to promote a Florida

version of ACA called "A Healthy Florida Works". A Healthy Florida Works ("AHFW") is similar to private option plans adopted in other states. AHFW is based on free market principles where private insurance providers elect to participate and consumers have choices. Individuals and families would be able to choose a health plan through a state private operated online health insurance marketplace. To be eligible, participants must meet certain annual income levels, pay nominal premiums and participate in job and education training activities. Premiums paid by enrollees are reinvested into accounts that can be used for additional health services or education. Participating private providers will be paid on a per member, per month basis. The Plan would cover an estimated 800,000 uninsured Floridians who earn on average less than \$16,000 per year (less than \$32,900 for a family of four) and are not eligible for coverage through the current Medicaid program in Florida. Funding for AHFW is already available. More than \$50 billion in federal funding is estimated to be available if Florida and the federal government can agree to the Plan. Which is highly likely since the Plan is similar to ones in six other states shown in blue.

Given potential economic impact of the end of the \$1.3 billion LIP, this is a potentially expensive and disruptive possibility. The Legislature has in the past resisted either joining the ACA or implementing a Florida alternative. But, this year maybe different given the potential impact of LIP and the strong coalition backing AHFW.