

Hello Everyone,

***“...Wall Street is learning an expensive lesson that The Way Things Have Always Been Done is not How Things Should Be Done.”*** Mark Cuban, American Billionaire & Entrepreneur

I couldn't agree more, Mr. Cuban.

By now most investors have heard of GameStop. If history is any guide, eventually GameStop stock will return to its fundamental value of \$5/share-\$10/share. In the meantime, enjoy the show. :>)

Behind the froth of GameStop, however, is the harsh reality that we have created perverse incentive systems across both our economy and our markets.

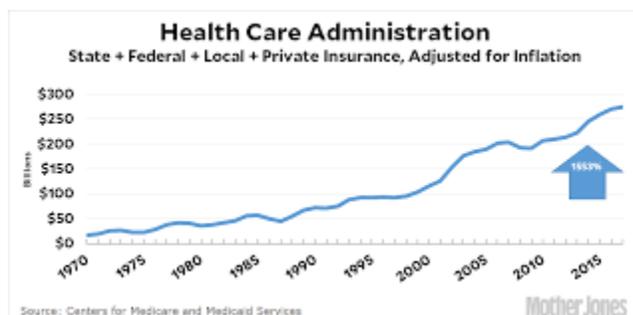
For decades, the incentive to grossly “short” (a maneuver by which investors make money when a stock falls) stocks has gone unchecked by Wall Street. For insiders, it was a “sure-fire” way to profit. Until last week.

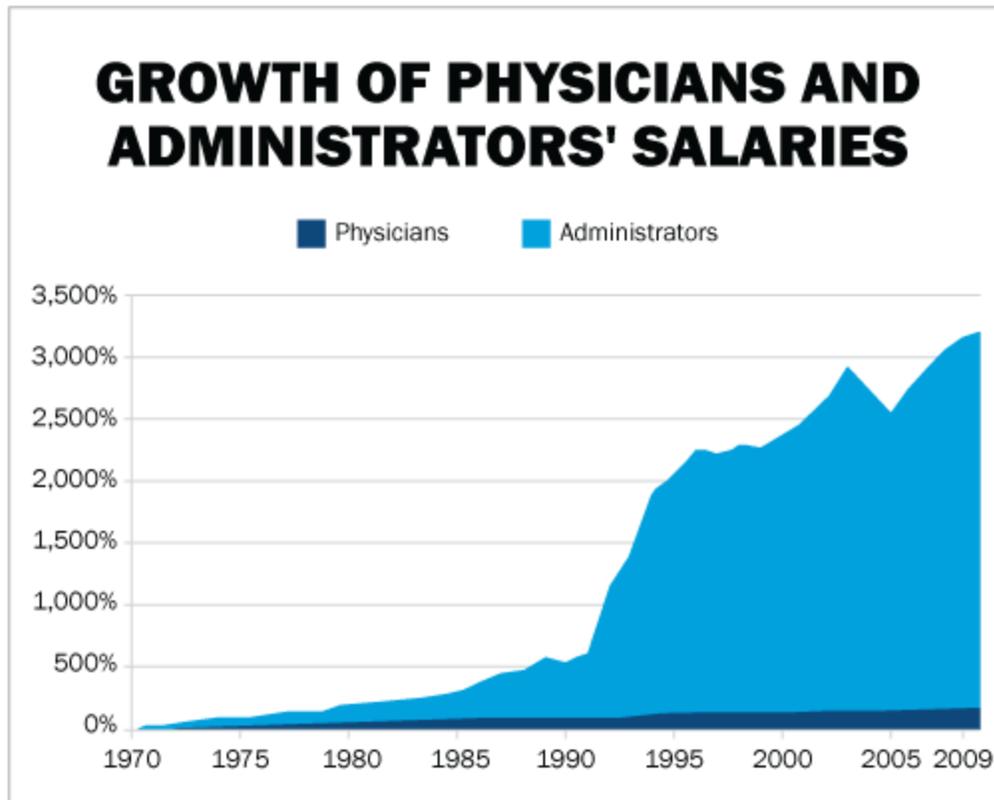
Today's missive does not look at GameStop. But we will look at another perverse incentive system that will work until it doesn't. That being the American healthcare system. And that system is far bigger than GameStop.

The two charts below are what prompted today's topic.

Signed, Your I-Wonder-If-Broke-Hedge-Fund-Managers-Are-Eligible-For-\$600-Stimulus-Check? Financial Advisor,

Greg





www.stansberryresearch.com Source: Bureau of Labor Statistics, NCHS, and Himmelstein/Woolhandler analysis of CPS

## KKOB 2021.02.01 Doctors vs. Administrators Smackdown

**Bob:** So, Greg, you've been focusing on America's rising debts. And today you want to talk about what the Democrats are calling Biden-Care. Right?

**Greg:** I do. And I believe millions of Americans are just as worried about getting sick as they are of having to pay for getting sick. So, recognizing this concern, the Biden administration's answer is basically an expansion of the ***Affordable Care Act*** enacted by President Obama.

Bob, preliminary estimates say Biden-Care will add \$1.35 trillion to the debt over the next 8 years. To me that seems optimistic since annual health care costs have risen by over half a trillion dollars in the past two years alone.

Plus, we are opening the borders, which will likely add to the cost structure. But we'll see.

Nevertheless, I believe the deeper question is, "*Where will all these additional dollars go?*" And, if history is any guide, it will not go to doctors, nurses, or patients.

And to make my point...Bob, before the show, I emailed to you two charts. The first chart shows the ***growth of healthcare administrators vs. the growth of doctors***. Bob, would you be kind enough to explain that first chart to your intrepid listeners?

**Bob:** Sure. But it is not a pretty picture.

The chart starts in 1970--- and ends in 2018. The blue line shows that the number of health-administrators has increased by over 1100% (!). Meanwhile, the red line shows the number of doctors has increased only by about 200%.

So, that means the number of administrators has grown almost 6 times faster than the number of real doctors.

**Greg:** Right. Now, check out the second chart. That's the one that shows the ***growth of the salaries of administrators vs. salaries of doctors***. So, Bob, again, please tell the listeners what you see.

**Bob:** This one is worse. Growth of administrator salaries is up over 3000% (!) while salary-growth for the physicians is up about 200%.

So, what these two charts show me is not only have the number of health administrators exploded upward---- but so have their salaries. Meanwhile, the number of physicians--- and their salaries ---are being left in the dust.

This is really helpful. No wonder we are spending all this money on healthcare, but not seeing people get healthier.

**Greg:** Right. And this is why the cost of healthcare has gone from just 5% of the economy to 20%. Oh, and the healthcare industry isn't alone in this trend. The administrative bloat in healthcare has mirrored what has happened in education, the military, and the overall governmental bureaucracy.

All of which helps explain what we talked about last week. Remember we said that in the past 80 years the population of the US had tripled, while the size of government has risen over 28-fold? Well, healthcare bloat is a big contributor to that.

But, Bob, don't expect a quick remedy. These unaffordable, high-cost structures are a gravy-train to those benefiting from the money flow. So, trying to dismantle the structure---and the incentives-- will bring all kinds of pushback from those raking in the dough.

Meanwhile, the debts grow and the system creaks.

**Bob:** I can totally see that. If I had a job paying \$200,000 per year...and even if I knew I was just pushing papers...I wouldn't quit in disgust based on principle. I'd just keep my head down and keep on going.

**Greg:** Right. Which brings us back to our fiscal picture.

The problem with government programs is the authorities just print money to paper-over the inefficiencies. And as the programs grow, the admin grows disproportionately. And it's rarely difficult to fill admin jobs.... especially those with high salaries.

Meanwhile, it takes years to get doctors and nurses into the field. And, by the way, a lot of medical pros have just about had it with this broken system. They know it rewards paperwork over actual health care. Thus, we have a doctor-and-nurse exodus (!) problem while the number of administrators balloons upward.

**Bob:** So, you're basically saying we shouldn't just ask how much something costs, but where the money is going...even if we think we won't like the answer. Good report. How do people reach you?

**Greg:** Thanks. Just go to my website at [zanettifinancial.com](http://zanettifinancial.com).

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