

Choosing the Future

Critical Information for Critical Times, Edition of Wednesday, January 13, 2016



2016 Fearless Forecast II

We wish all of you a very Happy and Successful 2016.

In our last issue (“2016 Fearless Forecast”) we discussed events and trends that will be unfolding within the health care arena in 2016. In this issue, we review other emerging economic and financial events and trends which may not be as widely understood. Although not directly healthcare-related, they will profoundly impact service cost, service demand, and reimbursement and warrant careful consideration by hospital decision makers going forward.

Domestic Economic and Monetary Issues

- By the end of the 1st Quarter of 2016, it will be officially recognized that the U.S. economy is in recession.
 - U.S. manufacturing has been in an outright recession for nearly a year.
 - The five largest U.S. banks account for approximately 42 percent of all loans in this country
 - The six largest U.S. banks account for approximately 67 percent of all assets in our financial system.
 - As of December 29, 2015, U.S. banks have more than \$247 trillion exposure to derivative contracts.
 - U.S. stock markets opened with the worst start-of-the-year performance on record.
 - Federal and state revenues will miss budget targets and at least two U.S. states will officially become insolvent.

World Economic and Monetary Issues

- The World economy is sliding into recession.
 - Canada, the largest U.S. trading partner, is already in recession.
 - Total U.S. debt is more than \$18 trillion. China owns \$1.2 trillion of that total and the Chinese economy is collapsing.
 - The U.S. dollar’s reserve currency status is at risk.
 - Commodity prices around the world are collapsing, including oil.
 - The Baltic Dry Index (BDI), a reliable measure of the world’s supply and demand for raw materials, fell this week to its lowest level in 30 years. Much of the current decline is attributed to China’s floundering economy.

It is not our intention to be negative. However it’s not negative to consider developments that will change the operating environment. There is a natural tendency to believe (or hope) that our world will continue unchanged, regardless of what happens out there. This “normalcy bias” is understandable. No one wants to be labeled an alarmist, particularly over megatrends that are beyond local control. However, we hope that this information will encourage hospitals to carefully consider the trajectory of events as they develop strategic options going forward and to manage resources cautiously but pro-actively.



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