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Tom Prince

Non-Federal - Other

>>> "Tom Prince" <[t-prince@kellogg.northwestern.edu](mailto:t-prince@kellogg.northwestern.edu)> 4/23/2007 10:10 AM >>>  
Monday, April 23, 2007

Wendy M. Comes, Executive Director  
Federal Accounting Standards Advisory Board  
Washington, DC 20548

To Whom It May Concern:

My recent email was rejected because of a typographic error.

I am delighted that FASAB is considering changing the financial reporting of the federal health care expenditures and future obligations. As the Board begins to review the federal reports, inadequate empirical studies of covered lives and healthcare expenditures will become apparent to members of the Board.

I wish you the utmost success in your deliberations.

Very truly yours,

Tom Prince

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## Federal Accounting Standards Advisory Board

Wendy M. Comes, Executive Director  
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To Whom It May Concern:

I realize the responses were due by April 16, 2007; however, my disabled son had a series of seizures this week which prevented me from responding by that date. A few years ago, my son while riding a bicycle was run over by a motorcyclist who was traveling at 65 miles per hour. The motorcyclist was killed and had no insurance. Since the accident, I have ceased teaching in the day-time at Northwestern University's Kellogg School and schedule my classes in the evening. My wife returned to teaching after 30+ years because the pressure of coping with a disabled son was very difficult for her.

As a CPA, I believe that members of the Financial Accounting Standards Advisory Board must argue for "reasonable" data from the federal agencies on **healthcare status**. Simple assumptions based on limited surveys are not professionally acceptable. We need to know the facts on our legal and social obligations as a society for the elderly. Will the Social Security deficit hit in 2016, 2015 or 2014?

In 1968 to December 1973 I supervised the creation of the American Hospital Association's national database. I was Dr. Paul Sanazaro's assistant at the National Center for Health Services, Research and Development in the 1960's and early 1970's. Three federal agencies replaced the National Center in the 1970's.

I have been a consultant in 47 of the 50 states to major healthcare entities and have won 19 of 20 federal law cases in court. The federal judge died within days of completing the 20<sup>th</sup> law case; he was in very poor health.

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In April 1987 I was asked to review the proposed creation of a new financial database for health care entities by a national investment company. **Investor's Tools** has been owned by eight different entities and was acquired in 2004 by Standard & Poor's. The first seven owners gave me the "right" to refuse consulting oriented faculty from getting free access to the healthcare database.

Recent federal reports suggest we do not have an uninsured problem for people 65 years of age and over. Table 136 reports that 13.7% of the **65 years and over** population in 2003 had Medicare risk Health Maintenance Organization; 10.4% had Medicaid

coverage; 35.9% had Employer-sponsored plans; 26.2% had Medigap coverage; 13.9% had Medicare fee-for-service only or Other [pages 402-403].

***Health, United States, 2006 with Chartbook on Trends in the Health of Americans***, 2006 (The U. S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Health Statistics) 543 pp.

Having reviewed the results of processing over one-million discharge records over the past 30 years, the government's statistics on the over 65 years of age population do not seem reasonable. A recent empirical study on residents of New York City published in ***Inquiry*** reports that 19 percent of the U. S. born patients over the age of 65 have zero Social Security income and are not covered by Medicare.

Bradford H. Gray, Roberta Scheinmann, Peri Rosenfeld, and Ruth Finkelstein, "Aging Without Medicare? Evidence from New York City," ***Inquiry*** 43: 211-221 (Fall 2006).

Question 1. I concur with the Primary View. However, I would provide limited disclosure of the financial facts. If a new disease were to increase the early death rate for a large segment of the population, then some members of Congress may want to provide extra large payments out of the Social Security Trust Funds to the uninsured. [I realize that the Social Security Trust Funds is merely a concept; but many citizens believe it is a real checking account.]

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Question 2. There is a difference between "Are Social Security and Medicare Obligations measurable" versus is this a desired reporting? In the 1950s I was asked to graduate early from Undergraduate School so I could teach the introductory course in Statistics. After receiving my Ph.D. at the University of Illinois in Champaign, a Ford Foundation grant to Northwestern University required me to teach three related courses – Statistics, Finance, and Accounting. The students had the same teacher for purposes of integrated instruction in these three courses.

The Honorable David M. Walker has given two addresses in Chicago over the past nine months. At both events, he was asked about the **Social Security Trust Fund**. If corporate officials do not understand the Social Security Trust Fund, then how do you expect ordinary citizens to understand the reporting of the Social Security Trust Fund?

In the early 1970s I received an unsolicited grant from the United States Department of Naval Research to use cluster analysis in determining where the submarines were. While I had applied cluster analysis to information technology problems, one of the nation's leaders in operations research wanted me to apply that experience to submarines. I went to Washington and got the grant modified so it was not applications oriented. Some Ph.D.

students at Kellogg did a lot of analytical work on attributes and this was helpful in their professional careers.

I strongly believe there should be a reporting on the obligations of individuals participating in the Social Security Trust Fund and its status. Informed citizens can reduce calls for inappropriate payments for non-covered lives. Political suggestions for Federal Government payments to uninsured individuals can exacerbate the demise of the Social Security Program.

Please disclose the facts regarding obligations of individuals with 40 quarters or equivalent of work experience but also report the payments out of the Social Security Programs. I would not report the current obligations (paragraph 16g) on the Balance Sheet. This makes it too easy for quick political decisions to be made in Washington that may be detrimental to the survival of the Social Security Programs.

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In Appendix C, I would suggest more entries in the tables that provide descriptive information on covered lives. How many citizens have 35 quarters of equivalent work, how many with 40, etc. What are the current payouts for these citizens when they reach 67 years of age?

Question 3. I do not concur with either position on the Statement of Social Insurance (SOSI). I would add statistical and demographic data on the population for both workers and individuals receiving benefits. The new tables should clearly explain the various profiles of the populations and their future expected benefits.

Question 4. The statement of fiscal sustainability should contain more profile information on both workers and covered lives. Under a cash basis of accounting, the profile should clearly indicate the future financial obligations for each segment of the population—both current workers and those retired.

Question 5. The cost of advancements in medical technology and new medical conditions can dramatically alter the projected healthcare expenditures over the next ten years. In place of implementing either of the options for Question 5, I would suggest a healthcare assessment of what the future may hold for medical technology over the next ten years and the cost of those initiatives.

Question 6. Are healthcare expenditures increasing by 14% per year? If so, what will this look like in 2012? Will all Medicare beneficiaries demand the latest medical technology that is available in 2012 to treat their conditions? The tables in Appendix B omit the dynamic increases occurring in healthcare expenditures. These increases will add to the imbalance between receipts and expenditures.

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I am delighted that these major questions are being considered by the Federal Accounting Standards Advisory Board. I wish you the utmost success in reaching agreement on these new reporting arrangements.

Sincerely,

Thomas R. Prince

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