

CONVERSATIONS WITH MIKE MILKEN



Steve Ballmer

Founder, USAFacts; former CEO, Microsoft;
Co-Founder, Ballmer Group; Chairman, Los
Angeles Clippers

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Mike Milken: Steve, thank you for joining us today.

Steve Ballmer: Thanks Mike. Pleasure to be here.

We have this commonality of a focus on facts. Six years ago you created USAFacts. What is USA facts? And why did you feel the need to create it?

USA facts is an initiative I started – USAFacts.org if people want to check it out. And it was built on the notion that says it's very hard to understand the government, by the numbers, by government's own data. How much revenue comes in and who's paying it? How is the money spent on various expense categories? What kind of outcomes does government get since obviously profit is not the target of government?

My wife had asked me a few questions, in the context of our philanthropy, in terms of spending by government. I found it very hard to find and I thought, how would I do this if this was a business I was competing with at Microsoft? Answer, I would've looked up

their SEC-filed 10-K report: very factual, no exaggeration, built on real numbers, no forecast, just the history of what's happened.

In a world of alternate facts and fake news, the notion of turning to third-party data, which always is subject to suspicion. Let's look at the government's own data, which the government should be

using to make decisions about how to run itself. I also believe we have really good professional people in the statistical agencies in the government, and the question was how do you assemble that data in what I would refer to like a 10-K comprehensible, comprehensive view of what was going on.

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Steve, I spent a lifetime reading 10-Ks and as you know, I might be one of the few people that read your 10-K cover to cover, but you know it a lot better than I. What have you learned over the years in gathering these facts and producing these 10-Ks on the U.S. government?

Government data is not very current. It's not very recent. We have numbers that go back to 2017 in our 2020 10-K which is just coming out because government – particularly state and local government, because we look at this as an integrated problem because of the way the federal government transfers money to the states – the data is just not very recent. If you really want to, for example, study the impact of the Affordable Care Act, you're looking at very old data, so I'll underscore that as a place to start.

In terms of things that have been surprising to me? While I guess I had a sense of how much government spends on healthcare, the notion that it spends just about 50% of all healthcare dollars in the United States between Medicare, Medicaid, veterans, government, employee retirement health benefits – that really grabbed my attention since healthcare has been an exploding cost. And obviously healthcare is very much in the news right now.

I'll just give you one example. The hospital beds per population has gone down from 6.2 in – I won't remember the exact year – to about 2.9 this year, and some people will say, aha, that's the problem with the coronavirus. Others will say our medical costs are exploding in a way the government and citizens can't afford and so maybe the right solution would have been to have a plan on how to create temporary beds as opposed to be running around a little bit like chickens with our heads cut off right now.

I'll give you another example. We have the PPP [Paycheck Protection Program] under the stimulus coming out to support smaller businesses. If you were to say, what has the most jobs of any small business sector? Number one is actually health and social service people who are working with people who are struggling and/or small doctor's offices. It's almost 9 million jobs, about 6% of all the jobs in the United States. Yet these small businesses are the least well equipped to apply for PPP based upon prior relationships with banks. So I'm just picking a few things, Mike, to talk about. The data is quite rich even though a lot of it is unfortunately not very current.

Steve, the challenges that you've found gathering data, understanding government – do you see these challenges carrying over to COVID-19 data?

Very much so. Part of the problem, Mike, is just the system's approach – the standardization of information, the building of world-class IT systems, and even the way government focuses in on its job. Is its job to build programs? Or is its job to think about societal problems and target its actions, money, regulatory work against a certain set of changes it wants to make in government?

The data systems are not built to do the latter. They're built to issue checks and other things which are non decision-making. So in this COVID world, yeah, very much so. Should somebody have thought through, if there is a pandemic, if there is a smaller-level scare, like an Ebola scare, what are the systems we need to collect that data and not only publish to the citizens but for government itself to use that in real-time?

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We've built a database of data about what's going on with the COVID-19 epidemic by literally crawling through – thank God, much of it technological – reports that live at the county level and sucking them up and building a database which we present but which we also make available to others.

At our FasterCures Center, we interact with FDA, NIH, CDC, all these different government agencies. A number of years ago, we had taken a group to open the CDC to the public for one night and one day for the first time. Now we are hearing rumors, I think from some of our people that interact with the CDC, that instead of you using their data, they're using your data. Is there any truth to that?

Yeah, absolutely there is. And we have great respect for the CDC, but there is an information-collection problem from the counties, which is where most of the data lives. We've got a team that literally goes through both by hand and using technology to assemble that data, because the County data is the most recent. We provide that database to CDC, and we were somewhat surprised that it was a database they wanted to use. That's an outcome of the data-collection process in government in the country. It's one of the things I'd say we're very proud of is being able to help CDC with some of that.

Steve, if you were assigned the job to get the economy going again, how would you leverage the data that you've been interacting with to get our economy going again and getting people back to work?

Not going to pretend to be an expert, Mike, on how to do this, but there are three aspects that I think we need to look at. Number one, we do need to look at families and how to put families in a position where they can spend money. Because if people have no money to spend, we could talk about businesses reopening, but we have to have a supply and demand for commerce, if you will. In this country, 60% of families earn less than \$66,000 a year. So these \$1,200 checks plus appropriate increases for presence of children in the home are highly, highly relevant to restarting the economy. These unemployment checks are highly relevant to restarting the economy.

If you look at reopening businesses, then you have to say, this PPP concept I actually think is pretty good, but you have to say, which businesses are really going to drive people coming back into the workforce? I talked to you about the fact that there are over nine million jobs in

healthcare and social assistance in small businesses. Nine million! And yet most of what people talk about is food service and retail trade, which are also big but somewhat lower. They all take a little bit different. So I think being more targeted and focused in the application of the PPP money will be a very important part of this because certain parts of the economy won't come back.

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I think one of the questions that we need to think about that you have addressed is what are the long-term economic and social changes you see post-crisis?

Let me take that from just a slightly different angle. As somebody who has run a big technology company in Microsoft and somebody who still very much tracks what's going on in technology, I think this crisis will cause many organizations to really think about

how they allow everything they do and everything their customers do to be done wherever possible, remotely. Whether it's government making it easier for people to sign up for government benefits, which can be really a problem. One of the issues right now is you don't get your \$1,200 check very quickly, Mike, from the government if you are unbanked, of which there are close to 10 million people – a little less than that who are unbanked in the country. Will people then push to get themselves banked? Will there be a push not only by the citizens but by corporations to better serve all the population. Let me just refer to it as “Remote Everything .”

So as you think about social changes, individual interaction, you recently purchased, one of the major arenas in Los Angeles called the the Forum, which many years ago introduced “Showtime” to the world with Magic Johnson and has been an entertainment venue. You're building one of the more exciting, high-tech venues in Los Angeles today. I'm sure you and your team are thinking, what would it take for people to feel comfortable attending a concert and other events there?

I'm afraid it's possible from a public health perspective, these kinds of live entertainment venues will be some of the later to reopen – at least a concert venue. I think it's a lot

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harder maybe even than doing say a basketball game – which, as owner of the LA Clippers I know the NBA is working hard on – because you could stage your broadcast experience.

In a sense I think we're going to think about this as a TSA-like problem. There's become a crisis from what is going on and the question is how do you test/check people before they are admitted to the experience? We're certainly not

in a position right now to “require” people to prove that they've been tested. But as testing capacity increases – as at test stations, through thermometer checks – putting in this security and checking parameters, much as we had to do some of that with TSA, I think could be at least part of the solution to getting these live event venues like The Forum open again.

Your home state, Washington, was really maybe the first state to get hit with the coronavirus. Maybe the very first patients that were treated were right there in Everett, next to Seattle. What was your initial reaction when this was occurring in your state as opposed to other states where it occurred later?

Although there are experts like my old colleague, Bill Gates, who's had this in their mind, it's hard to fathom when you hear about the first cases. So I'd say there was a lot of

sadness about the deaths that were happening in this facility in which older people inhabited. A lot of sadness. But not as much of a, wow, where does this go next?

We've gotten involved with the University of Washington, which has done over 50% of all the testing in this state, and thank god institutions like that mobilized very quickly, which means our states also had a chance to hit, if you will, the flattening of the curve earlier than other states. So I think our state prepared well. But from an emotional standpoint, I would say it was more sadness about what was happening to individuals than fear of all this thing could become.

Steve, you and your family have been very active philanthropically. It appears in some ways that you've gone in one direction, other family members have gone in another direction. Have you coordinated your efforts to deal with this coronavirus and the effects?

We are members of a philanthropic funding collaborative that focuses on kids and families-in-need called [Blue Meridian](#). That is a joint effort with another number of other partners. Think of it, if you will, the same way as you might an investment fund.

And then we've done a lot of funding ourselves, both nationally as well as in our home areas - LA where we have the Clipper basketball team, Seattle where we live, and Detroit where I grew up. There are so many organizations in need, and many of them aren't yet fully taking advantage of and aware of what's out there.

Philanthropy can fill in holes, Mike, but philanthropy cannot solve everything. So the University of Washington needs testing money to get started before they can get state money. We've jumped in. There's a shortage right now with swabs in order to do testing. Some doctor finds a supply chain. Again, government can't move in. We've helped provide some money cause we think testing is so important.

There are a number of opportunities to fund collaborative efforts. We've put money into mayor's fund, for example, in Los Angeles. There are food banks. We've been involved in food security programs up here.

I'm not going to call it hit and miss, but I am going to say everybody's scrambling. Everybody wants to make a difference. Not everybody agrees on the best way. We certainly are not trying to start new programs. We're trying to find initiatives that have a little bit of momentum and then feed those to the best we can.

“[My college-age son] is now sitting in the state of Washington taking classes in Australia for credit in Michigan. There's an irony to all of that in my opinion.”

One of the things people don't fully realize is that philanthropy is about 3% of medical research, but as you pointed out, it's really the *venture* funding. It gets things going that are then backed by NIH and other government agencies. And so even if you're a small part, it makes a big difference. And the other thing I've seen that you've focused on is philanthropy is not just money, it's also volunteerism. And if you calculated relative salaries, people volunteering to help using their skillset, if you monetize that, it far exceeds the dollars given. So everyone can help. Is there a way that you believe technology or even thinking about Microsoft, et cetera, Steve, could play a larger role if people want to give of their time, their analysis, their knowledge in a world of social distancing?

There are a lot of ways to volunteer. There are ways to volunteer in which some software gets written. Certainly if you have an automated accounting system – [for instance] we've been talking to the people at Intuit – they make it much easier to apply for PPP loans, for tracking what you need to track in order to get that done.

I'll give you another example. People who are unbanked – can you help people who are unbanked quickly get banked in order to receive their checks without running afoul of many of the banking regulations. It's another opportunity to help, and there are not-for-profits working on the problem. So you can pick a set of these kinds of things where people – accountants in the case of QuickBooks, programmers can certainly make a difference, bankers can certainly make a difference – there's a broad swath of people who have volunteer opportunities even being remote,

So let's get a little closer to home, Steve.

One of my sons just happened to be coming to Seattle at about the right time, so I started with him, fiance and my wife. One son decided to stay with his roommates in San Francisco where I think he's doing a pretty good job on social distancing, although he's 20-something and that's a community I think people have worried a little about.

My other son was actually studying a term abroad from the University of Michigan in Australia. He had to come back. That was the order from the University of Michigan. We could have quarantined him, I guess, when he came back. We chose to let him in the house and take that risk, but he is now sitting in the state of Washington taking classes in Australia for credit in Michigan. There's an irony to all of that in my opinion. Hopefully that all works out.

We find he has fear that schools won't be open in the fall. That may or may not be the case. I'm in a risk group over 60 years old. I have a certain set of fears about what might happen. Nobody's panicked. And yet even for us, which is a family of a lot of privilege and a lot of good fortune, things to worry about.

Steve, I want to thank you for your time today. I also particularly want to thank you for you and your entire family's commitment to the wellbeing, not just during the coronavirus, of the country in the world. So thank you again.

Thank you, Mike. Thanks for the friendship and interest, and I'll look very forward to seeing you soon.
