

**Greater Milwaukee Business
Foundation on Health, Inc. GMBFH**

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Healthcare costs improve compared to Midwest average according to Greater Milwaukee Business Foundation on Health; area healthcare systems continue to improve performance

Milwaukee – December 4, 2012 – The Greater Milwaukee Business Foundation on Health, Inc. (GMBFH), known for its research on the cost, efficiency and quality of healthcare in southeast Wisconsin, released the results of two studies at a meeting of providers, insurers, business and community leaders today. The first study, using 2011 data, showed an improvement over 2010 for southeast Wisconsin commercial healthcare premium costs as compared with average costs in the Midwest. A second study revealed average southeast Wisconsin hospital commercial payment levels in 2011 were essentially unchanged from 2010 levels.

The first study, conducted by consulting firms Mercer and Milliman, looked at 2011 employer and employee healthcare premium costs of commercial health plan members under the age of 65. It compared southeast Wisconsin commercial healthcare premium costs to Midwest and national averages and served as an update to a study released last year that used 2010 data. The study included residents of Milwaukee, Waukesha, Racine, Ozaukee, Kenosha, Walworth and Washington counties.

The data, obtained from the Wisconsin Health Information Organization (WHIO), represented more than \$2.1 billion in healthcare costs from approximately 425,000 employees and dependents. Costs for medical, prescription drug, mental health, vision and hearing were included, but not dental. They corresponded to comparable figures from Illinois, Indiana, Ohio, Michigan, Minnesota, Iowa, North Dakota, South Dakota, Missouri, Kansas and Nebraska.

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The study used the same methodologies as the Foundation’s five previous studies on this topic to ensure that accurate comparisons could be drawn among the studies.

Results for 2011 showed the difference between southeast Wisconsin average healthcare premium costs and Midwest average premium costs dropped slightly to seven percent above the Midwest average compared with eight percent above in 2010. In addition, southeast Wisconsin premium costs continued to improve compared to the national average. Southeast Wisconsin costs were six percent higher than the national average in 2011, down from seven percent higher in 2010.

Several factors listed in the study as contributing to the continuation of higher than average costs for southeast Wisconsin compared to the Midwest include:

- Southeast Wisconsin had a higher average age of participants (44 vs. 43)
- Employers in southeast Wisconsin offered richer plan designs than comparative plans in the other states
- Per-unit provider payments in southeast Wisconsin were nine percent higher than the Midwest average. However, the utilization and services mix in the area was actually five percent below the Midwest average, resulting in higher net provider costs of four percent.

Higher provider costs, richer benefit plans and an older employee demographic all contributed to southeast Wisconsin costs being seven percent above the Midwest average overall.

TOTAL PER EMPLOYEE PER YEAR HEALTHCARE PREMIUM COSTS:

	<u>2010</u>	<u>2011</u>
SE Wisconsin	\$9,658	\$9,990
Midwest	\$8,935	\$9,324
National	\$9,005	\$9,462

“After seeing substantial improvement in healthcare premium costs in southeast Wisconsin compared with Midwest and national averages from 2000-2007, this report shows a continuation a trend seen since 2007 of a more gradual improvement in premium costs compared to Midwest and national averages,” said Ron Dix, the Foundation’s executive director.

The second study, conducted by Milliman, analyzed several key factors influencing southeast Wisconsin commercial payer hospital payment levels. It updated previous studies released in 2009 and 2011. All three studies examined the same factors and utilized the same methodologies to allow for a comparable analysis. The factors and highlights of the most recent study included:

- **Hospital Commercial Payment Comparison:** In 2011, average southeast Wisconsin hospital commercial payment levels were essentially unchanged from 2010 levels. The average southeast Wisconsin hospital commercial payment levels increased approximately 34 percent (3.7 percent annually) from 2003 through 2011. This increase was roughly one-half of the 67 percent total increase in the national Hospital Component of the Consumer Price Index (CPI) for the same period. The total increase in individual health system hospital commercial payments from 2003 through 2011 ranged from five percent to 70 percent. Only one area health system had an aggregate increase greater than the Hospital CPI from 2003 through 2011.
- **Hospital Operating Costs:** For the years 2003 through 2011, area hospital operating costs (the day-to-day expenses of running a business) increased less than the national average. The study found that average southeast Wisconsin hospital operating costs increased 18 percent from 2003 through 2011 – approximately two percent annually. This compares with increases in the Hospital Producer Price Index (PPI) and the CMS Hospital Market Basket of 31 and 42 percent, respectively for the same time period. Every health system had operating cost increases lower than the change in the CMS Hospital Market Basket index, while three of the six health systems had net operating cost increases considerably below the change in the Hospital PPI index.
- **Health System Commercial Market Concentration:** Earlier reports found commercial market share concentration (the relative market share of the strongest health system in each zip code) generally increased from 2004-2007 and was a factor contributing to southeast Wisconsin's higher commercial hospital payment levels. The latest report confirms what has been observed since 2008 – the consistent decline in overall market concentration, suggesting there continues to be more competition among health systems.
- **Hospital Cost Shift Burden Distribution:** While cost shift burdens from patients who are not covered by commercial insurance (the difference between operating costs and payments including bad debts) varied among systems, they remained relatively stable in 2011 compared to 2010. Overall, they accounted for 34 percent of the commercial cost for hospital services in 2011, compared to 35 percent in 2010. Similarly, the relative mix of the sources of hospital cost shift burdens (governmental programs, charity care and bad debt) remained generally consistent in 2010 and 2011.

“These two reports, taken in combination, suggest that providers in southeast Wisconsin are contributing to making southeast Wisconsin more competitive as it relates to healthcare costs” said Dix.

About the Greater Milwaukee Business Foundation on Health

The Greater Milwaukee Business Foundation on Health is a private operating foundation created in 2002.

The mission of GMBFH is to undertake studies, programs and activities which promote the general health of the persons residing in the greater Milwaukee area and advance their awareness of health and healthcare delivery issues.

GMBFH is not a grant making foundation. Instead, it works collaboratively with established organizations to improve health and healthcare delivery in the greater Milwaukee area. For more information about the foundation, its board of directors, past and current initiatives and copies of the complete reports, visit the website: www.gmbfh.org.