

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

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Greater Milwaukee Business Foundation on Health study finds area healthcare systems' commercial payment levels compare favorably with systems nationwide

Milwaukee – July 23, 2014 – 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 a study at a meeting of providers, insurers, business and community leaders today. The study revealed that from 2003 through 2012, the increase in average southeast Wisconsin hospital commercial payment levels was approximately 50 percent of the rate of increase in the national Hospital Component of Consumer Price Index (CPI).

The study, conducted by the consulting firm Milliman, analyzed several key factors influencing southeast Wisconsin commercial payer hospital payment levels. It updated previous studies released in 2009, 2011 and 2012. All four 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:** The average southeast Wisconsin hospital commercial payment levels increased approximately 37 percent (3.5 percent annually) from 2003 through 2012. This increase was roughly one-half of the 75 percent total increase in the national Hospital Component of the CPI for the same period. The total increase in individual health system hospital commercial payments from 2003 through 2012 ranged from seven percent to 71 percent. No area health system had an aggregate increase greater than the Hospital CPI from 2003 through 2012.

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- **Hospital Operating Costs:** For the years 2003 through 2012, area hospital operating costs (the day-to-day expenses of running a business) increased at a substantially lower rate than national indices, particularly in recent years. The study found that average southeast Wisconsin hospital operating costs increased 19 percent from 2003 through 2012 – less than two percent annually and from 2009 through 2012, less than one percent annually. This compares with increases in the Hospital Producer Price Index (PPI) and the CMS Hospital Market Basket of 34 and 47 percent, respectively, for 2003 through 2012. 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 and two were right at the 34 percent national Hospital PPI figure.
- **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 2012 compared to 2011. Overall, they accounted for 35 percent of the commercial cost for hospital services in 2012, compared to 34 percent in 2011. The relative mix of the sources of hospital cost shift burdens has, however, changed from 2010 to 2012, with the cost shift burdens from governmental programs (Medicare and Medicaid) declining slightly while non-governmental cost shift burdens (bad debt and charity care) have increased over the same time period.
- **Health System Commercial Market Concentration:** Earlier studies 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. This latest study confirms what has been observed since 2008 – the consistent decline each year in overall market concentration, suggesting there continues to be more competition among health systems.

"Studies commissioned by the Foundation found southeast Wisconsin average commercial healthcare premium costs were initially substantially higher relative to other Midwest markets. Over time this gap in average commercial premium costs between southeast Wisconsin and other Midwest markets has shrunk significantly. This study suggests that hospitals in our area continue to contribute to making southeast Wisconsin healthcare costs more competitive," said Ron Dix the Foundation's executive director.

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.