

## NEWS RELEASE

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**FOR MORE INFORMATION**

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### **Business Foundation Confirms Milwaukee Has High Physician Fees**

Milwaukee, WI...The Greater Milwaukee Business Foundation on Health, Inc. (GMBFH), known for its research on the cost, efficiency and quality of health care in the greater Milwaukee area, has released its first study specific solely on physician fees. It concludes that Milwaukee resides at the expensive end of the health care cost spectrum relative to physician fees, when compared to other major Midwest cities. For example, fees for the physician services studied are typically 30-40% higher in Milwaukee than in Cincinnati, Kansas City and St.Louis.

“Although extremely alarming when you consider the negative impact of these high costs on future economic growth in southeastern Wisconsin, these results are not surprising,” according to Jim Wrocklage, the executive director of GMBFH. “The foundation’s groundbreaking health care cost study released in 2002 contended that Milwaukee’s health care costs were high across all spectrums of health care- inpatient,

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outpatient, ambulatory and ancillary services. However, at the time, few people wanted to accept the study's conclusions. Since then, study after study, including GMBFH's March 2005 study, has validated the area's high health care cost."

When informed of the conclusions concerning Milwaukee's high physician fees, Tim Sullivan, CEO of Bucyrus Erie stated, "Skilled and mobile labor will be difficult to attract and retain in Milwaukee, especially if they can obtain a higher standard of living in competitive urban areas such as Cincinnati, Kansas City and St. Louis. As a result, Milwaukee companies will not be able to be price competitive if they must pay these skilled workers higher compensation and health benefit costs than elsewhere because of the high cost of healthcare in Milwaukee."

According to Wrocklage, "The foundation's board wanted to focus its new research on physician fees because they are becoming the largest single component of total health care costs in the community. As a result, GMBFH engaged Merton D, Finkler, Ph.D, of Lawrence University to compare fees for specific physician services in four medical specialties - cardiology, orthopedic surgery, radiology and gastroenterology - for Milwaukee and Chicago, Cincinnati, Cleveland, Detroit, Indianapolis, Kansas City, Minneapolis-St. Paul, and St Louis. The time period studied was December 1, 2004 through November 30, 2005."

According to Finkler, "Commercial transactions prices for specialty services in each of the four areas studied were higher on average, and especially for those paying the

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highest prices, in Milwaukee than in the other metropolitan areas studied. Stated differently, purchasers in Milwaukee have agreed to pay substantially more than purchasers in other metropolitan areas.”

Relative to the foundation’s objective to identify the factors leading to Milwaukee’s higher physician fees, Finkler did not find statistically significant evidence for four commonly cited factors. In particular, physician-pricing patterns did not follow hospital patterns; lower Medicare payments did not imply higher commercial prices; higher poverty rates did not imply higher commercial prices; and a higher concentration of health insurers did not yield lower physician transactions prices.

Finkler also studied the market structure of physician practices (single specialty group practice, multi-specialty group practice, and non-group practice) and found that none of the markets studied, for any of the four specialties, had reached a level of concentration that would suggest anti-competitive effects, based on Department of Justice criteria. He suggested that further study of these urban areas should be devoted to obtaining a comprehensive portrait of the character of bargaining and contracting for specific, high volume, high cost, episodes of treatment.

GMBFH has hosted three meetings since April of this year with leaders of hospitals, physician groups, employers, health plans and various governmental units concerning Milwaukee’s continuing high health care costs. Another was scheduled for yesterday to determine if a plan could be developed to reverse this negative trend.

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The Greater Milwaukee Business Foundation on Health, Inc., was created as a private operating foundation in 2002. Its mission is to undertake studies, programs and activities that promote the general health of the persons residing in the greater Milwaukee community or advance their awareness of health and health care delivery issues affecting them and/or the community. More information about the foundation, its board of directors, past and current initiatives and a copy of the complete report, *The Physician Marketplace – A Comparison of Central USA Metropolitan Areas*, can be found on its Web site: [www.gmbfh.org](http://www.gmbfh.org).