

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

**For Immediate Release**

**FOR MORE INFORMATION**

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## **Area healthcare costs hold steady when compared to Midwest average according to Greater Milwaukee Business Foundation on Health**

Milwaukee – June 8, 2011 – The Greater Milwaukee Business Foundation on Health, Inc. (GMBFH), known for its research on the cost, efficiency and quality of healthcare in the greater Milwaukee area, has released the results of its fourth overall cost study at a meeting of providers, insurers, business and community leaders on Wednesday, June 8. It concludes that southeast Wisconsin healthcare commercial premium costs for 2009 were 8 percent higher than average costs in the Midwest.

“In this study based on 2009 data, the difference between average healthcare premium costs in southeast Wisconsin and the Midwest average was relatively unchanged from the 2007 study we completed. In 2007 average healthcare premium costs were shown to be 9 percent higher and they were 8 percent higher in 2009,” said Ron Dix, the Foundation’s executive director. “Previous studies we conducted, showed that costs in 2000 were 55 percent higher and 39 percent higher in 2003,” added Dix.

The two main authors of the study are consulting firms Mercer and Milliman. The findings are based on the analysis of 2009 combined employer and employee health care premium costs of commercial health plan members under the age of 65. It includes residents of Milwaukee, Waukesha, Racine, Ozaukee, Kenosha, Walworth and Washington counties. The data, obtained from the Wisconsin Health Information Organization (WHIO), represents more than \$1.5 billion in healthcare costs from approximately 450,000 employees and dependents. These figures include the cost for medical, prescription drug, mental health, vision, hearing, etc., but not dental. They correspond 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 three previous studies on this topic to ensure that accurate comparisons can be drawn among the studies.

Substantial progress was made in driving southeast Wisconsin healthcare costs closer to the Midwest average from the first study (based on 2000 data) to the third (based on 2007 data). However, results remained relatively unchanged in this 2009 study.

Some of the factors listed in the study as contributing to higher than average costs include:

- Southeast Wisconsin had a higher average age of participants (43 vs. 42) than the others
- Employers in southeast Wisconsin offer richer plan designs than comparative plans in the other states
- Per-unit provider payments in southeast Wisconsin are 10% higher than the Midwest average.

Despite higher per-unit provider payments, the utilization and services mix in the area was actually 6 percent below the Midwest average, resulting in higher net provider costs of 4 percent. Higher provider costs, richer benefit plans and an older employee demographic all contributed to southeast Wisconsin costs being 8 percent above the Midwest average overall.

“In order to drive area healthcare premium costs down to the Midwest average, we will need to address the two key drivers of this healthcare premium cost discrepancy – reimbursement levels to providers and benefit plans offered by employers,” said Dix. “Unless provider reimbursement levels and benefit plan design come more into line with those of our colleagues in the Midwest, it is difficult to imagine that overall costs in southeast Wisconsin will approach the Midwest average,” continued Dix.

**TOTAL PER EMPLOYER PER YEAR HEALTHCARE PREMIUM COSTS:**

	<u>2007</u>	<u>2009</u>
SE Wisconsin	\$8,204	\$9,168
Midwest	\$7,536	\$8,458
National	\$7,390	\$8,391

**PROVIDER REIMBURSEMENT:**

Overall, provider payment levels were 10 percent higher than the Midwest average. While hospital payment levels in southeast Wisconsin were 5-7 percent higher than the Midwest average, physician payment levels were approximately 20-25 % higher than the Midwest average.

	<u>SE Wisconsin</u>	<u>Midwest</u>
Hospital		
• Average cost per inpatient day	\$3,910	\$3,660
• Average cost per inpatient admission	\$15,346	\$13,633
Physician		
• Percentage of 2009 Wisconsin Medicare RBRVs Fee Schedule	190%	156%

“The Foundation intends to continue to commission studies like this to monitor healthcare costs in our area. We remain hopeful a time will come when we are among the areas with the lowest premium costs in the Midwest – and the nation,” Dix said.

#### **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](http://www.gmbfh.org).