

Greater Milwaukee Business Foundation on Health, Inc. GMBFH

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Area hospital systems improved performance; healthcare costs held steady compared to Midwest average according to Greater Milwaukee Business Foundation on Health

Milwaukee – December 14, 2011 – 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 group’s major study revealed southeast Wisconsin hospital commercial payment level and operating cost increases were substantially less than national indices for the reporting period of 2003 through 2010. A companion study showed southeast Wisconsin commercial healthcare premium costs remained eight percent higher than average costs in the Midwest.

The major study, conducted by Milliman, analyzed several key factors influencing southeast Wisconsin commercial payer hospital payment levels. It updated a previous study released in 2009 which examined data for the years 2003 through 2007 by adding data for the years 2008 through 2010. Both 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 34 percent (four percent annually) from 2003 through 2010. This increase was 40 percent lower than the 57 percent total increase in the national Hospital Component of the Consumer Price Index (CPI) for the same period. The increase in individual health system hospital commercial payments from 2003 through 2010 ranged from 14 percent to 62 percent. Only one area health system had an aggregate increase greater than the Hospital CPI from 2003 through 2010.

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- **Hospital Operating Costs:** For the years 2003 through 2010, 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 17 percent from 2003 through 2010. This compares to increases in the Hospital Producer Price Index (PPI) and the CMS Hospital Market Basket of 28 and 37 percent, respectively for the same time period. All but one health system had operating costs below the Hospital PPI index and all were lower than the CMS Hospital Market Basket index.
- **Hospital Cost Shift Burden Distribution:** Cost shift burdens from patients who are not covered by commercial insurance (the difference between operating costs and payments including bad debts) varied among the health systems. Overall, they accounted for 35 percent of the commercial cost for hospital services in 2010, a 32 percent increase from 2003. Governmental payer (Medicare and Medicaid) hospital cost shift burdens increased by 39 percent from 2003 through 2010, while charity care costs and bad debts increased by 116 percent for the same time period from 2003 through 2010.
- **Health System Commercial Market Concentration:** Commercial market share concentration was a factor contributing to southeast Wisconsin's higher commercial hospital payment levels. The report found overall market concentration had declined since 2007, suggesting there was more competition among health systems.

“On the whole, this study suggests that hospitals in southeast Wisconsin are doing a good job of holding the line on operating costs, specifically when compared to national averages,” said Ron Dix, the Foundation’s executive director.

The companion study, also released today by GMBFH, compared southeast Wisconsin commercial healthcare premium costs to Midwest and national averages. This study, conducted by Mercer and Milliman, looked at 2010 employer and employee healthcare premium costs of commercial health plan members under the age of 65. It was an update to a study released earlier this year that used 2009 data. Healthcare premium costs include medical and prescription drug costs. The study used the same methodologies as the Foundation’s four previous studies on this topic to ensure that accurate comparisons can be drawn among the studies.

Results for 2010 showed the difference between southeast Wisconsin average healthcare premium costs and the Midwest average was unchanged from 2009 to 2010. Southeast Wisconsin costs were approximately eight percent above the Midwest average in both 2009 and 2010. However, southeast Wisconsin premium costs continued to improve compared to the national average. Southeast Wisconsin costs were seven percent higher than the National average in 2010, down from nine percent higher in 2009.

TOTAL PER EMPLOYEE PER YEAR HEALTHCARE PREMIUM COSTS:

	<u>2009</u>	<u>2010</u>
SE Wisconsin	\$9,168	\$9,658
Midwest	\$8,458	\$8,935
National	\$8,391	\$9,005

“In this study, based on 2010 data, the difference between average healthcare premium costs in southeast Wisconsin and the Midwest average remain unchanged from the 2009 study. However, as a region we continue to make progress compared to the national average, as has the whole of the Midwest,” said Dix. “The Foundation intends to continue to commission studies like this to monitor what is driving healthcare costs in our area and how we compare with the Midwest and the nation,” added 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.