Report to the Greater Milwaukee Business Foundation on Health

Key Factors Influencing 2003 – 2010
Southeast Wisconsin Commercial Payer
Hospital Payment Levels

Presented by:

Keith Kieffer, CPA, RPh
Management Consultant

Juliya Buettner, MHSA, FACHE
Healthcare Management Consultant

December 7, 2011

Milliman

Table of Contents

Background

- An initial study based on 2003 data for Milwaukee, Ozaukee, Washington and Waukesha counties identified interplay of the following factors as contributing to the Milwaukee area's high health care costs:
  – Health system commercial market concentration
  – Hospital operating cost levels
  – Distribution of cost shift burden among health systems
  – Fixed hospital payment methods
  – Commercial payer market concentration
- A study of 2003 – 2007 changes in average hospital commercial payment levels and 3 of the 5 factors for an expanded 7 county area was presented in February, 2009
  – Data to measure fixed payment methods and commercial payer market concentration was not available

2010 Study Objectives

- This study provides updated measures through 2010 for each measure in the 2007 study
  - Average hospital commercial payment levels
  - Hospital operating cost levels
  - Distribution of cost shift burden among health systems
  - Health system commercial market concentration
- Measure change in each measure from 2003 through 2010
  - Emphasis on changes from 2008 through 2010

Study Parameters

Data Sources

- Wisconsin Hospital Association (WHA) Information Center:
  - FY 2003 - 2010
    - Wisconsin Hospital Fiscal Survey
    - Wisconsin Hospital Inpatient Discharge Data
- United States Bureau of Labor Statistics
  - Hospital Component of Consumer Price Index (Hospital CPI)
  - Hospital Producer Price Index (Hospital PPI)
- Centers for Medicare and Medical Services
  - Hospital Market Basket (CMS Market Basket)
  - CMS-DRG weights
  - Medicare 5% sample data set

Included Hospitals and Health Systems

- Limited to health systems with substantial adult, acute care inpatient hospital operations in the following counties:
  - Milwaukee
  - Kenosha
  - Racine
  - Ozaukee
  - Washington
  - Walworth
  - Waukesha
- Includes specialty hospitals (Orthopedic Hospital of Wisconsin (CSM), Wisconsin Heart Hospital, and Midwest Orthopedic Specialty Hospital (Wheaton))
- Excludes Psychiatric, Rehabilitation, and LTAC hospitals
- Excludes Children’s Hospital of Wisconsin

Included Hospitals and Health Systems

- Hospital information from the following health systems was used as the basis for the comparisons:
  - Aurora Health Care (Aurora)
  - Columbia St. Mary's (CSM)
  - Froedtert Health (FH)
  - ProHealth Care (ProHealth)
  - United Hospital System (United)
  - Wheaton Franciscan Healthcare (Wheaton)
- Mercy Health Services (Lake Geneva and Janesville) and Columbia Center (Mequon) included for health system market concentration comparisons **ONLY**

Milliman

Changes from 2007 Study

- The following hospitals have been added to the 2010 analysis:
  – Aurora Medical Center – Grafton
  – Aurora Medical Center - Summit
  – Midwest Orthopedic Specialty Hospital (Wheaton)
  – Wheaton Franciscan Healthcare – Franklin
- As a result of the FY 2009 merger between SynergyHealth and Froedtert Health, the financial measures in the study have been combined and reported as “FH” results for 2003 through 2010:
  – Hospital commercial payment levels
  – Hospital operating cost levels
  – Distribution of cost shift burden among health systems
- SynergyHealth and Froedtert Health market concentration is reported on a combined basis for 2009 and 2010 ***ONLY***

Milliman

Changes from 2007 Study

- Commercial payment comparisons include separate comparisons of inpatient and outpatient payment levels (in addition to composite comparisons as previously reported)
- Cost shift burden estimates have been revised to include the impact of charity care and bad debts
- Since the release of our previous studies, certain information sources have changed and additional information has become available. Certain 2003 measures have been modified from those presented in our previous reports to be consistent with our analysis of 2008 through 2010 data.

Milliman

Summary of Results

Summary of Results

- Southeast Wisconsin hospital commercial payment level increases from 2003 through 2010 have been 40% less than the increase in the national Hospital CPI
- Southeast Wisconsin hospital operating costs have also increased at a slower rate than national indices during the same period
- Hospital cost shift burdens have become slightly more evenly distributed among Southeast Wisconsin health systems since 2003, in part due to operating cost changes by some health systems
- After several years of increasing levels of health system market concentration, the addition of new hospitals and other market changes appear to have caused reductions in “predominant” health system market shares in many areas

Hospital Commercial Payment Comparisons

Hospital Commercial Payment Change Comparisons – *Methods*

- Comparisons of total net commercial revenues (billed amounts after contractual discounts) as reported in the Wisconsin State Hospital Fiscal Survey, including:
  - Average commercial inpatient payments per case mix adjusted discharge,
  - Average commercial hospital outpatient payment levels as a percentage of Medicare payment levels, and
  - Average composite (blended inpatient and outpatient) commercial payment levels relative to the market average

Milliman

Hospital Commercial Payment Change Comparisons – *Methods*

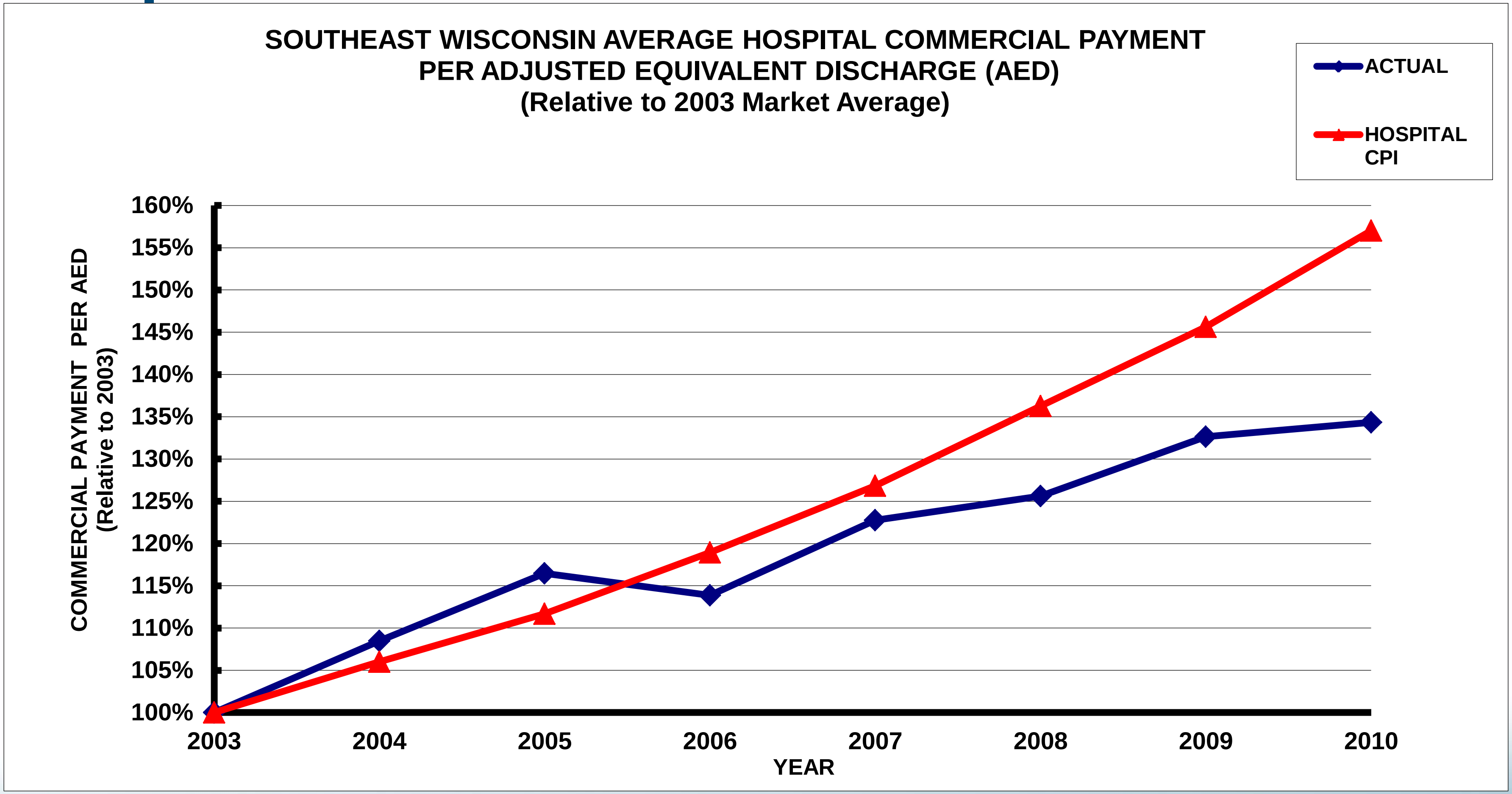
- Average Southeast Wisconsin hospital commercial payments were converted to per-unit payment levels using " Adjusted Equivalent Discharges" (AED) to adjust for differences in:
  - Inpatient case mix and severity
  - Relative blend of inpatient / outpatient business
  - Outpatient service mix

- Changes in Southeast Wisconsin average payment levels were compared to changes in the Hospital Component of National Consumer Price Index (Hospital CPI)
  - Hospital CPI represents the annual change in hospital payments from commercial payers

Hospital Commercial Payment Change Comparisons – *Results (2003-2010)*

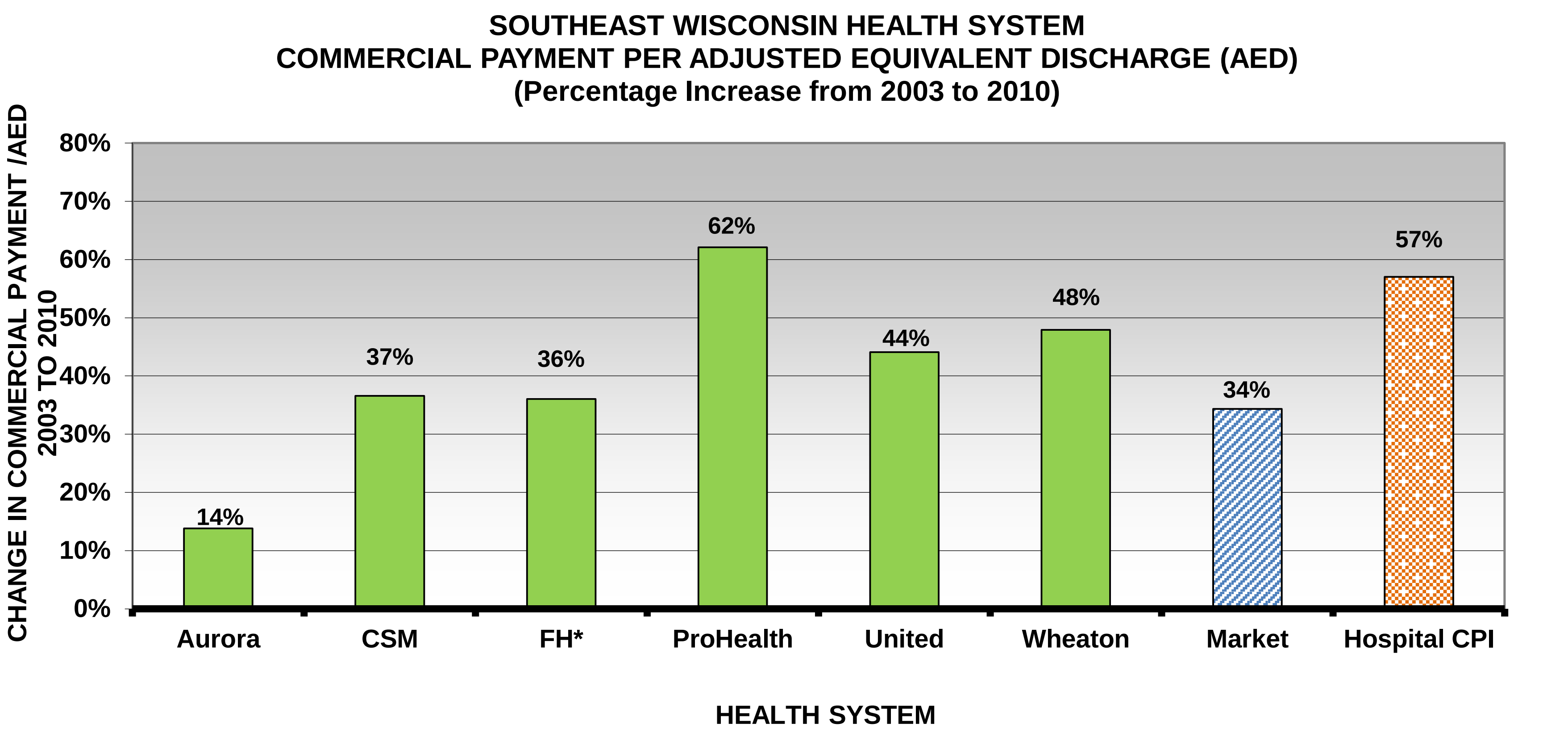
- Average Southeast Wisconsin hospital commercial payment levels increased approximately 34% (4% annually) from 2003 through 2010
  - The increase is 40% lower than the 57% total increase in the national Hospital CPI for the same period
- Aurora's aggregate increase was approximately 25% of the Hospital CPI (14% in total)
- ProHealth was the only health system with an aggregate increase greater than the Hospital CPI from 2003 through 2010 (62% in total)
- All other Southeast Wisconsin health system increases were between the market average and Hospital CPI increases for the same period

Aggregate Change in Average SE WI Hospital Commercial Payments Compared to National Hospital CPI



Milliman

Aggregate Southeast Wisconsin Hospital Commercial Payment Increases *(2003 – 2010)*



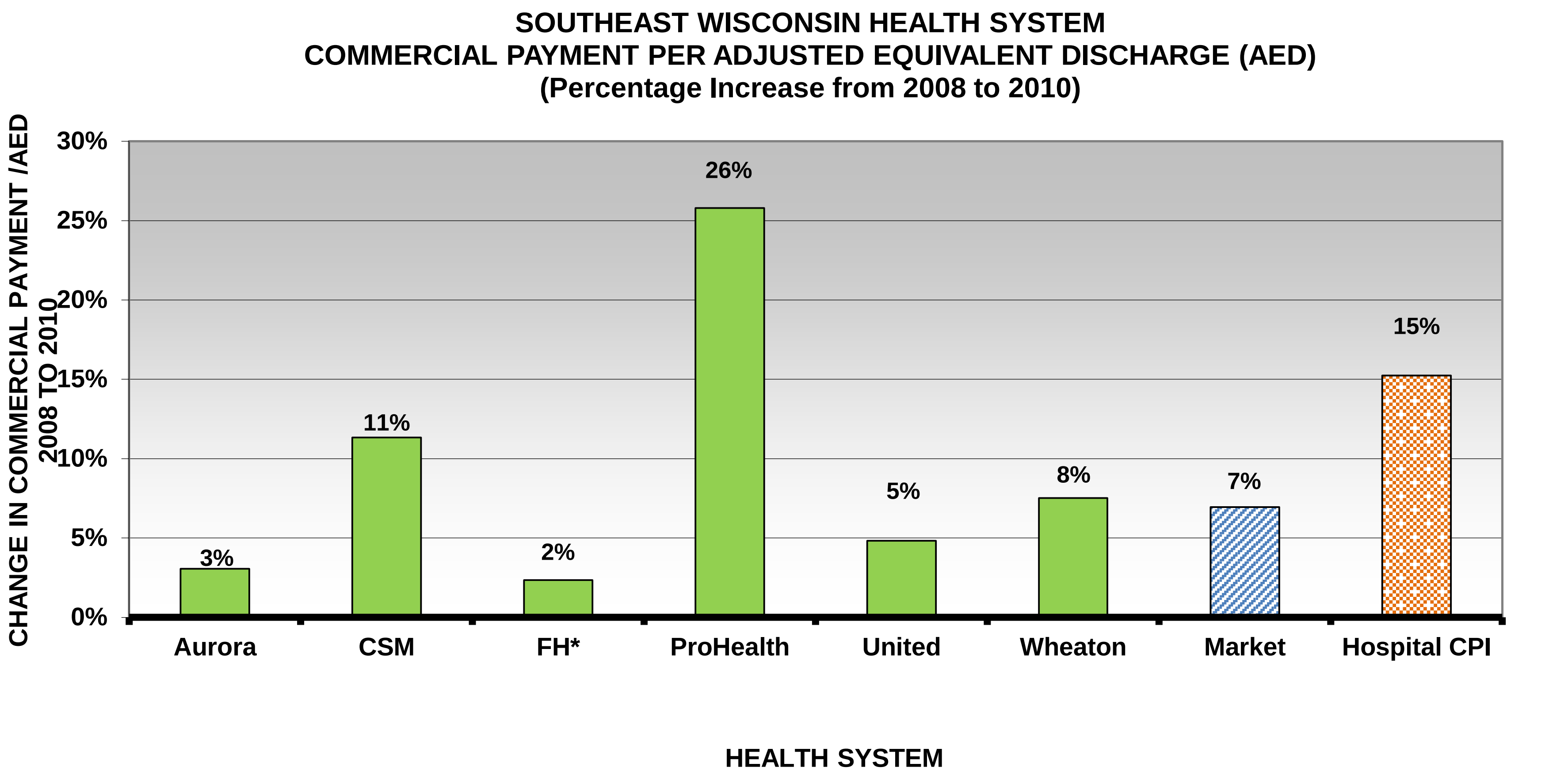
** Includes results for SynergyHealth for all years*

Milliman

Hospital Commercial Payment Change Comparisons – *Results (2008-2010)*

- 2010 Average Southeast Wisconsin hospital commercial payment levels increased 7% over 2008
  - Hospital CPI increased 15% from 2008 through 2010
- Froedtert (2%), Aurora (3%), and United (5%) had aggregate increases less than 1/3 of the Hospital CPI increase during this period
- ProHealth was the only health system with an aggregate increase greater than the Hospital CPI increase from 2008 through 2010
- Other health system increases were between the market average and Hospital CPI increases from 2008 through 2010

Aggregate Southeast Wisconsin Hospital Commercial Payment Changes *(2008 – 2010)*



* *Includes results for SynergyHealth for all years*

Individual Health System Commercial Payment Level Comparisons – *Methods*

- Total inpatient hospital net commercial revenues were converted to per-unit payment levels using inpatient commercial discharges adjusted for differences in inpatient case mix
- Outpatient hospital commercial payment levels were estimated as a percentage of each hospital's average Medicare outpatient payment levels
- Composite commercial payment levels were developed by blending each health system's relative inpatient and outpatient payment levels (compared to market averages) using the market average mix of commercial inpatient and outpatient billed charges
  - Blend of approximately 40% inpatient / 60% outpatient in 2010
    - 44% inpatient / 56% outpatient in 2003

Milliman

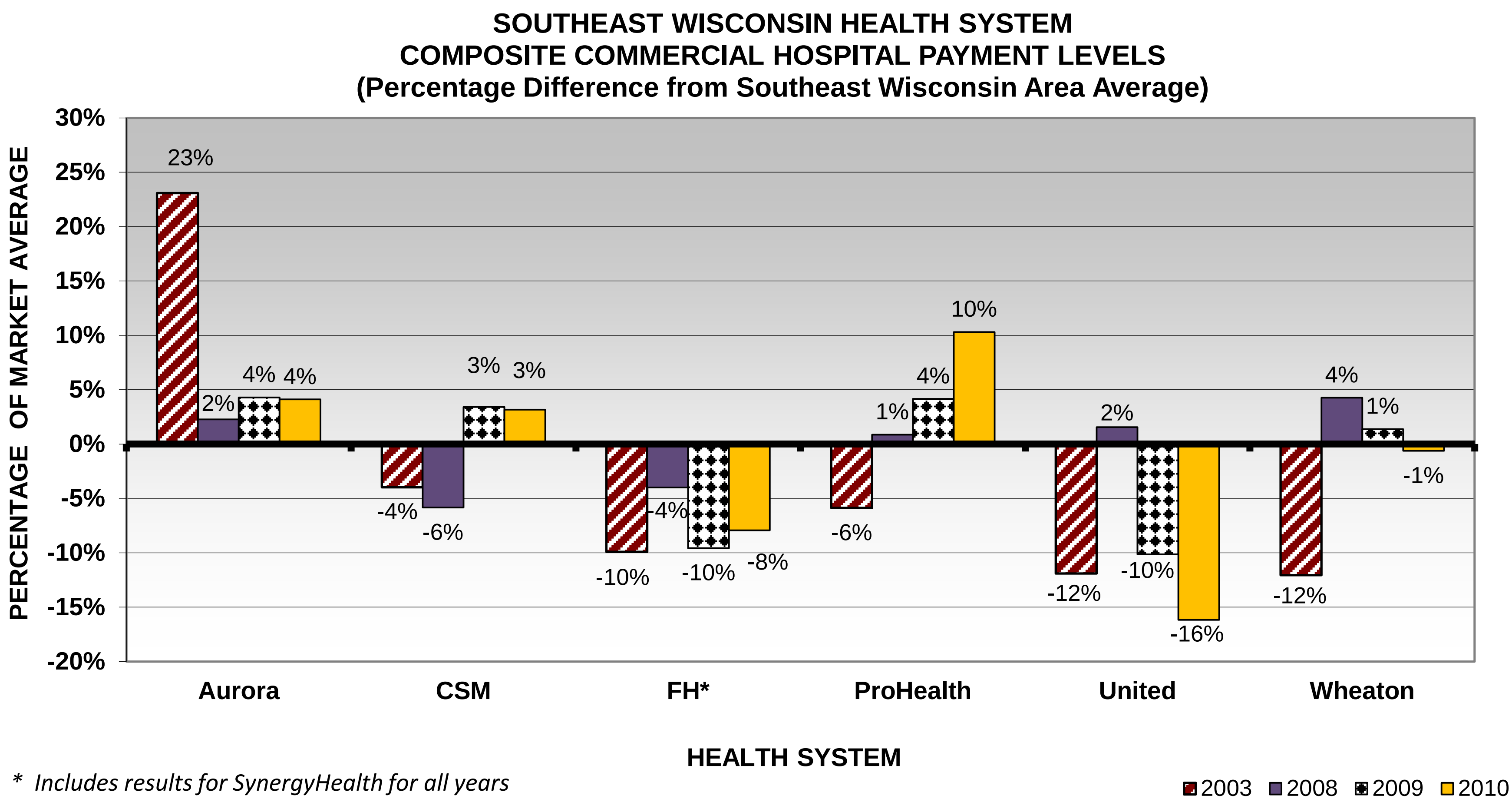
2010 Individual Health System Commercial Payment Level Comparisons – *Results*

- Two health systems had composite commercial payment levels significantly below the market average in 2010:
  - United (16% below)
    - United's average inpatient and outpatient payment levels are the lowest among SE Wisconsin health systems
  - FH (8% below)
    - FH inpatient and outpatient payment levels are also below the market averages
  - FH is the only health system with lower commercial payment levels in each year of the comparisons
- Wheaton's composite commercial payment levels were within 1% of the market average in 2010
  - 6% lower inpatient payment levels are offset by 3% higher outpatient payment levels

2010 Individual Health System Commercial Payment Level Comparisons – *Results*

- Three health care systems had composite commercial payment levels above the market average in 2010:
  - ProHealth (10% above)
    - ProHealth's average inpatient and outpatient payment levels are the highest among SE Wisconsin health systems
  - Aurora (4% above)
    - Aurora also has the highest average inpatient payment levels among SE Wisconsin health systems
  - CSM (3% above)
    - Outpatient payment rates 10% above market averages are partially offset by inpatient payment rates that are 7% lower than market averages

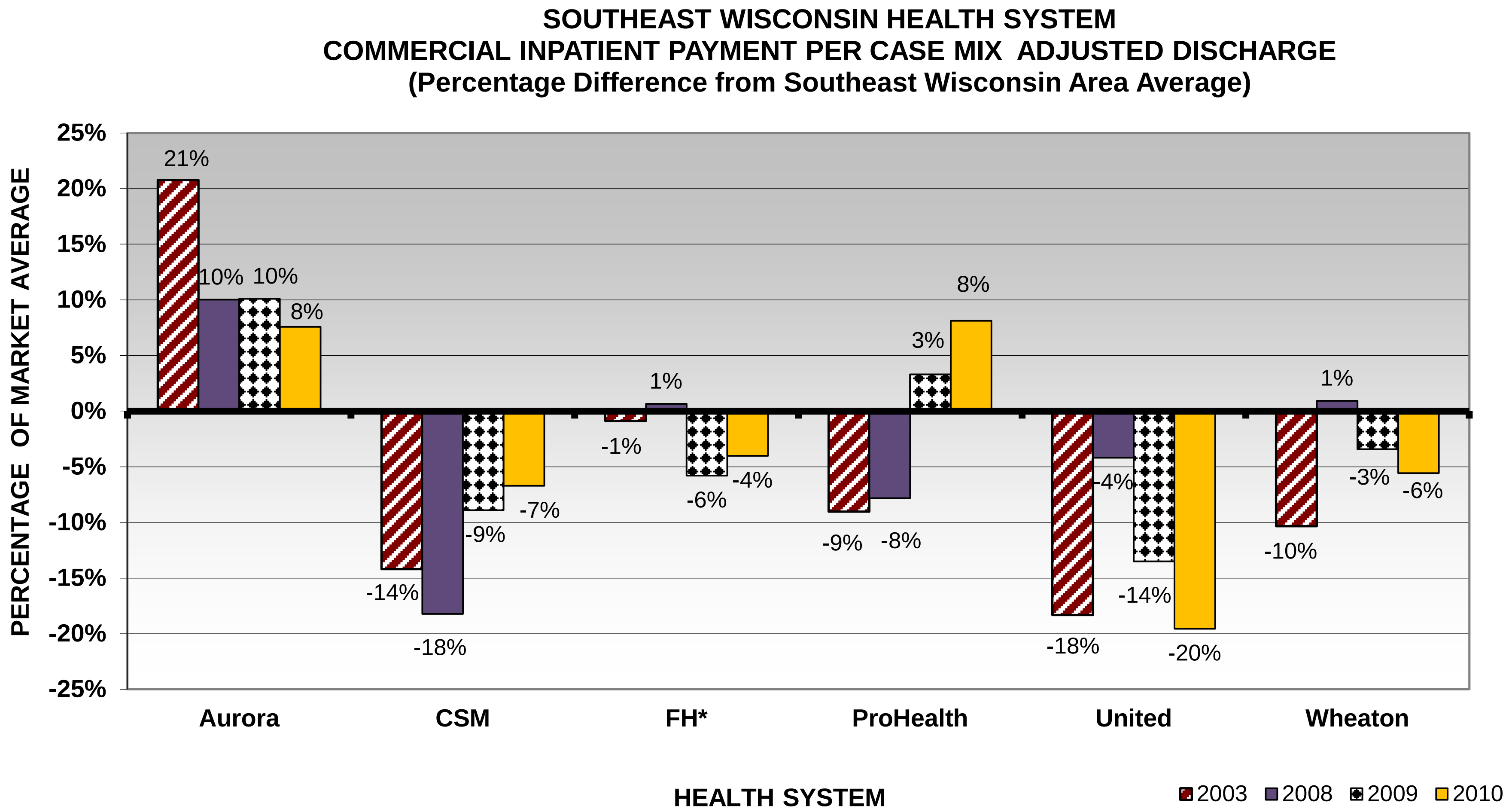
Average Composite Commercial Payment Levels Relative to the Southeast Wisconsin



* *Includes results for SynergyHealth for all years*

Milliman

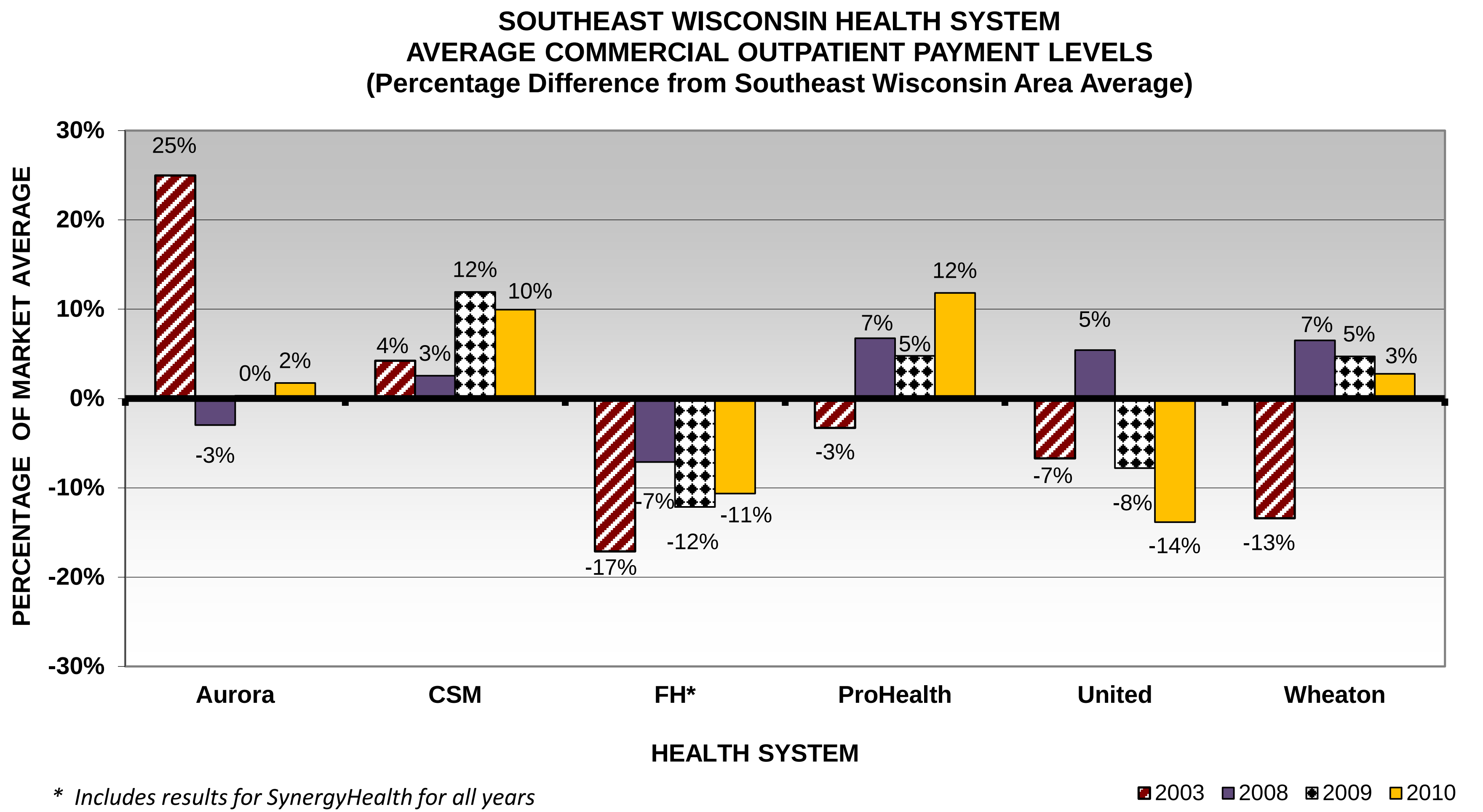
Commercial Hospital Inpatient Payment Levels Relative to Southeast Wisconsin



* *Includes results for SynergyHealth for all years*

Milliman

Commercial Hospital Outpatient Payment Levels Relative to Southeast Wisconsin



* *Includes results for SynergyHealth for all years*

Milliman

Hospital Operating Cost Comparisons

Milliman

Hospital Operating Cost Comparisons

- Our initial 2003 study estimated that 2003 Milwaukee area per-unit hospital operating costs were 14% to 26% higher than the hospital operating costs in some other Midwest cities with lower commercial hospital payment levels

Milliman

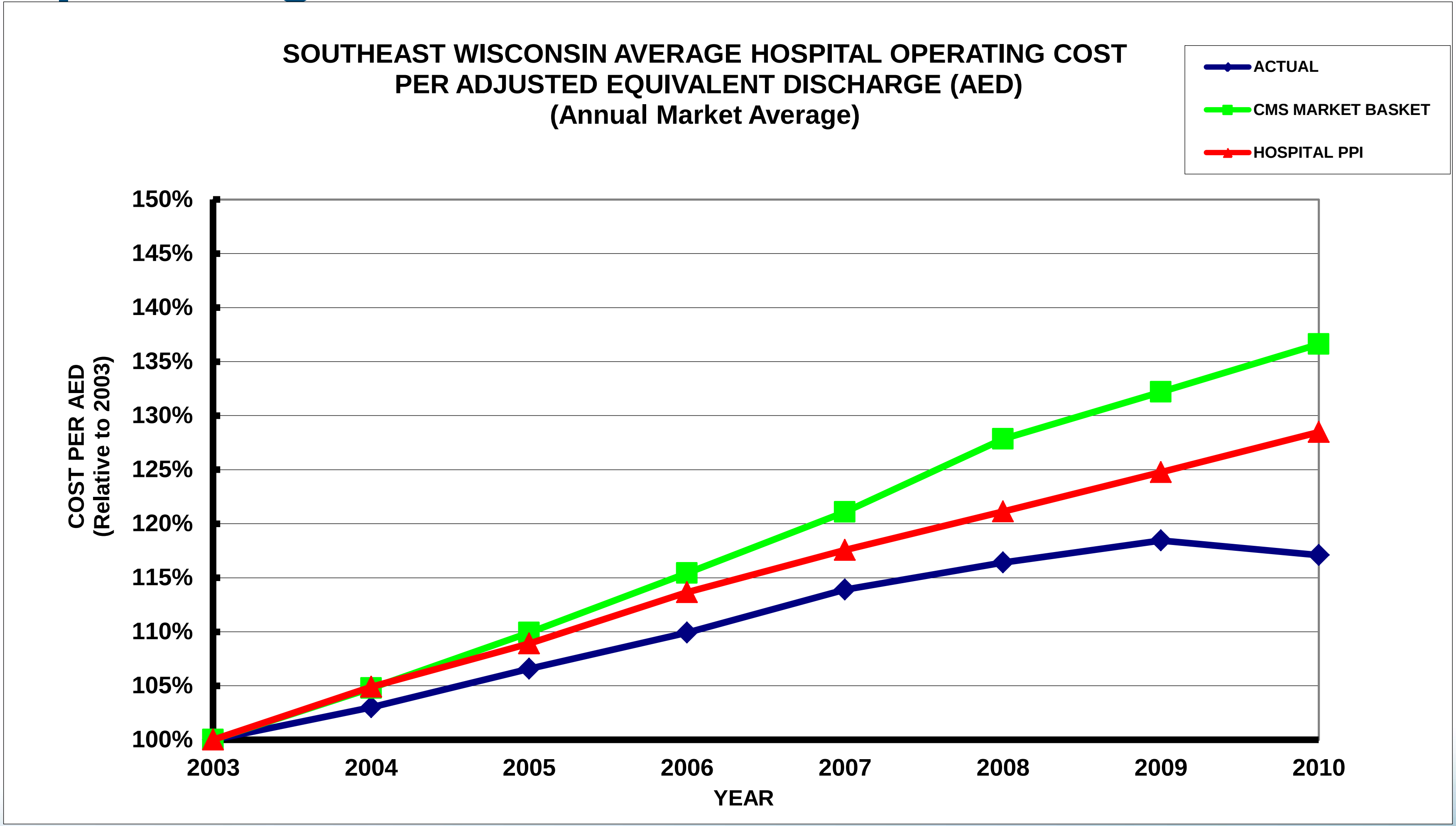
Hospital Operating Cost Comparisons – *Data Sources and Methods*

- Total hospital operating costs as reported in the Wisconsin State Hospital Fiscal Survey used as basis of comparisons
- Total hospital operating costs were converted to average per-unit costs using “Adjusted Equivalent Discharges” (AED) to adjust for differences in:
  - Relative blend of inpatient and outpatient business
  - Inpatient case mix and severity
  - Outpatient service mix
- Change in Southeast Wisconsin market average hospital operating costs compared to national inflation indices
  - CMS Hospital Market Basket
  - Hospital Producer Price Index (Hospital PPI)

Hospital Operating Cost Comparisons – *Results*

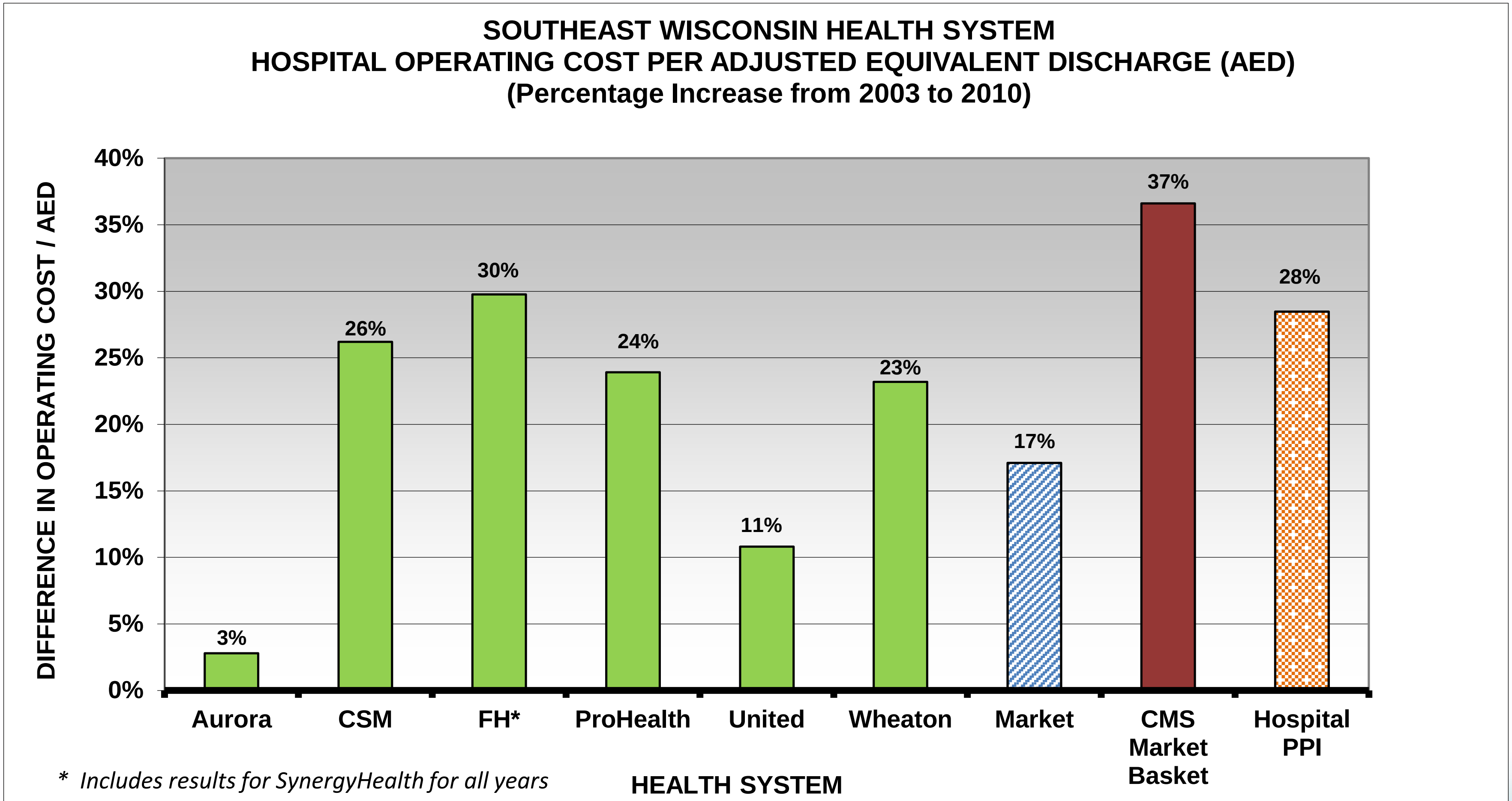
- Average Southeast Wisconsin hospital operating costs increased 17% from 2003 to 2010
  - The Hospital PPI increased 28% and CMS Hospital Market Basket increased 37% during the same period
    - Aurora and United had significantly lower aggregate cost increases than the other health systems during this period
    - FH was the only health system with aggregate cost increases above the Hospital PPI from 2003 through 2010
- Southeast Wisconsin average hospital operating costs per AED were essentially unchanged from 2008 through 2010
  - During the same period, the Hospital PPI increase was 6% and the CMS Hospital Market Basket increased 7%
    - CSM was the only health system with aggregate cost increases above the Hospital PPI for this period

Comparison of Southeast Wisconsin Hospital Operating Costs to Inflation Indices



Milliman

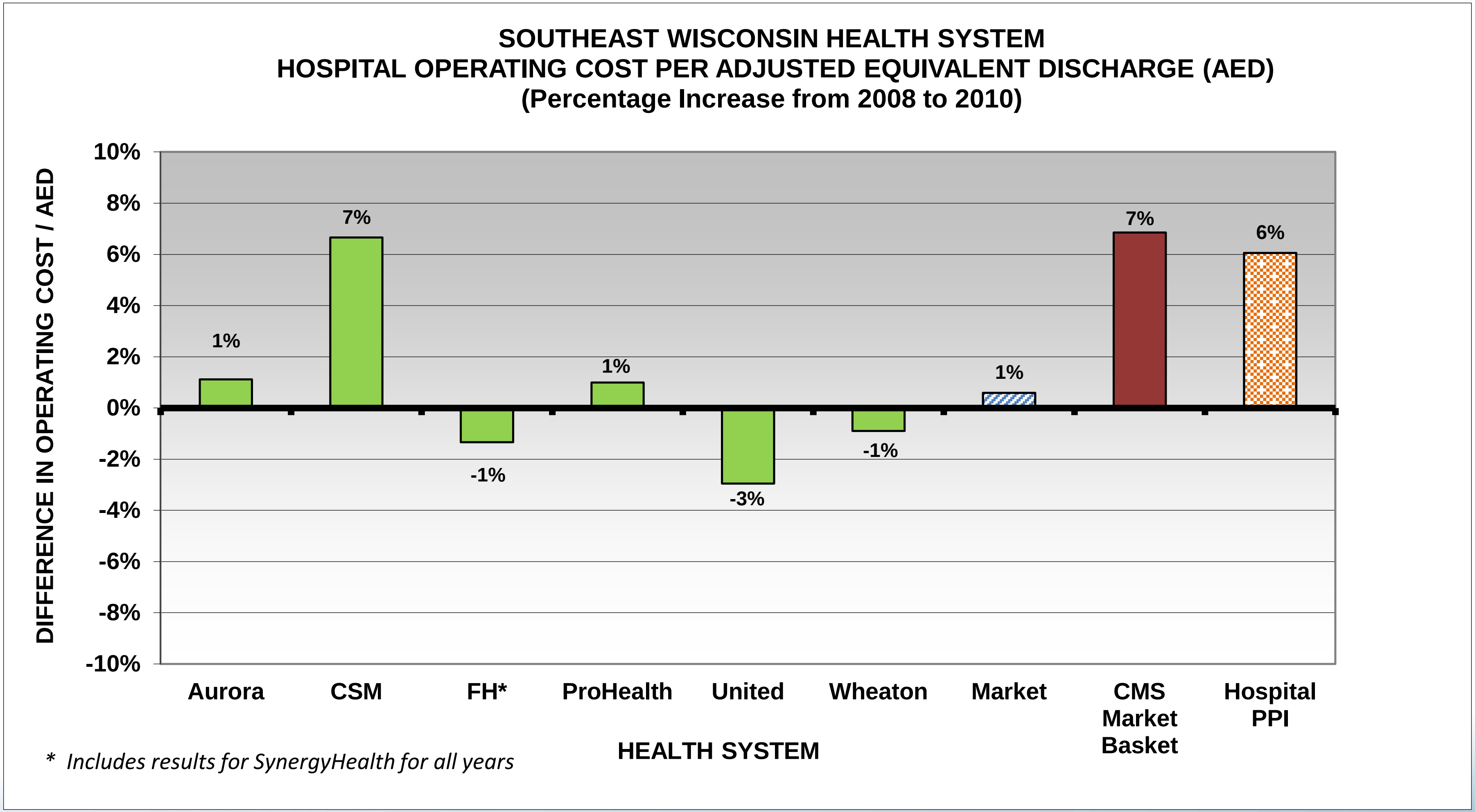
Aggregate Southeast Wisconsin Hospital Operating Cost Increases *(2003 –2010)*



** Includes results for SynergyHealth for all years*

Milliman

Change in Southeast Wisconsin Hospital Operating Costs *(2008-2010)*



* *Includes results for SynergyHealth for all years*

Milliman

2010 Hospital Operating Cost Comparisons – *Results*

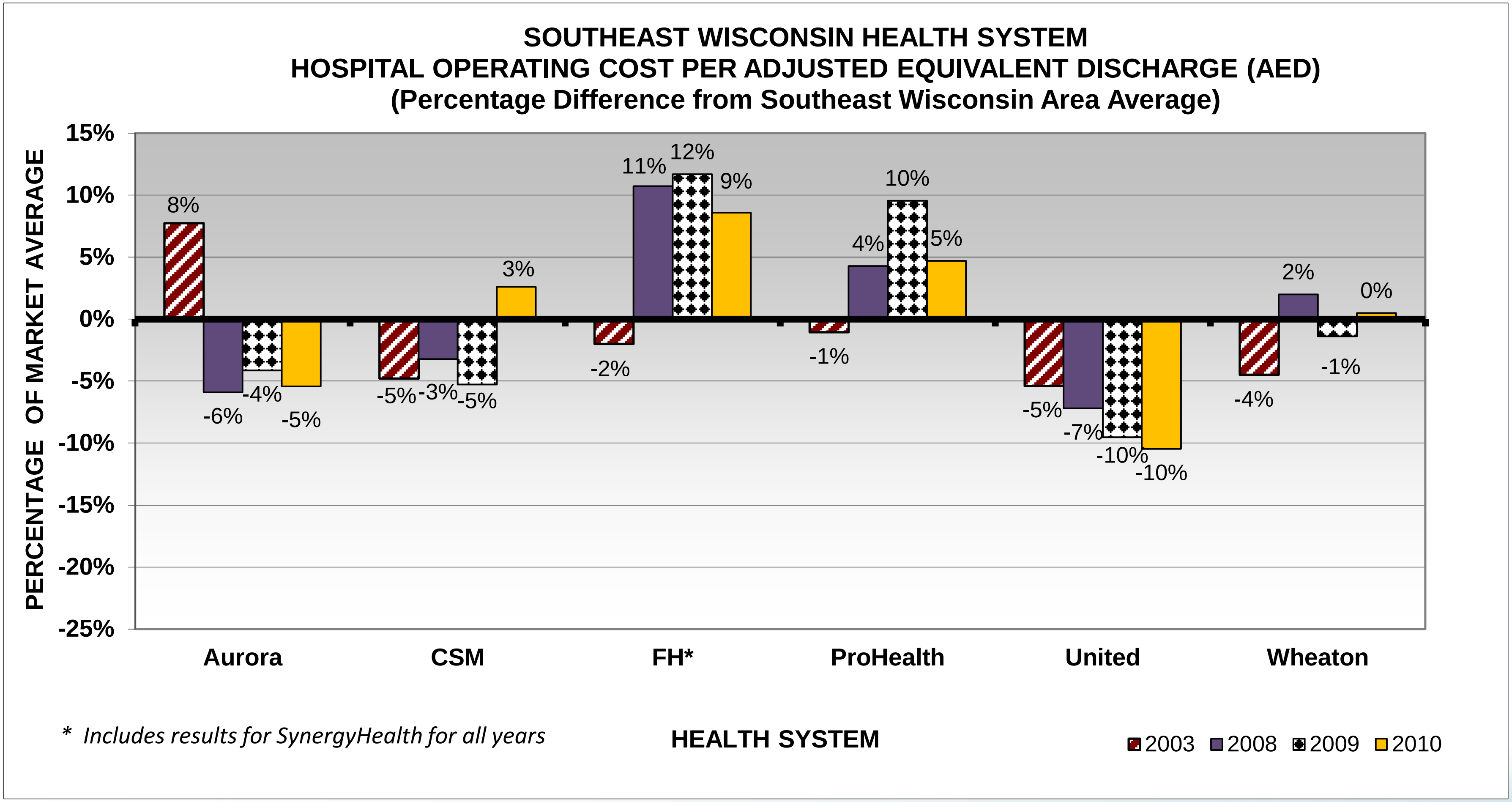
- United's and Aurora's average hospital operating costs are below the Southeast Wisconsin average
  - United is 10% below market averages
    - United has the lowest operating cost level in 2010
  - Aurora is 5% below market averages in 2010
    - Aurora's 2003 operating costs were 8% higher than market averages
- Wheaton's average hospital operating costs are within 1% of market averages
  - Cost position relatively unchanged from 2008 through 2010

Milliman

2010 Hospital Operating Cost Comparisons – Results

- The operating costs for FH, ProHealth, and CSM were above the area average in 2010
  - FH's average costs were highest among market health systems
    - FH had highest cost position from 2008 through 2010
  - ProHealth's average costs were 5% above market average
    - 2009 average costs were 10% higher than market average
  - CSM's average costs were 3% higher than market average
    - 2010 average operating costs represent a significant increase over previous years when CSM costs were typically 3% to 5% lower than market averages

Southeast Wisconsin Hospital Operating Comparisons



* *Includes results for SynergyHealth for all years*

Hospital Cost Shift Burden

Hospital Cost Shift Burden Distribution

- Our initial 2003 study identified the proportionately greater hospital cost shift burden borne by the Milwaukee area's larger health systems as a factor that contributed to higher commercial hospital payment levels in the Milwaukee area

Hospital Cost Shift Burden – *Methods*

- Government cost shift burden was estimated as the difference between payments (net of bad debt adjustments) and related operating costs (including a pro rata share of operating profits) for Medicare, Medicaid, GAMP, and Charity Care patients
- Health system actual operating costs and bad debts are assumed to be "necessary"
  - Operating cost levels may reflect different degrees of cost management
  - Bad debt amounts may be affected by the effectiveness of each health system's billing and collection practices
- Aggregate cost shift burden is affected over time by changes in:
  - Government payer payment levels and patient volumes
  - Hospital operating cost and profit levels
  - Local economic conditions

Hospital Cost Shift Burden – *Results*

- Southeast Wisconsin cost shift burdens accounted for 35% of the commercial cost for hospital services in 2010
  - Represents an increase of 32.1% from 2003
- Governmental payer hospital cost shift burdens increased by 39% from 2003 through 2010 ($614 to $851 million)
  - Generally remained a consistent percentage of commercial hospital revenue
  - In 2009 and 2010 enhanced Medicaid payments provided additional benefits
- Charity care costs and bad debts increased by 116% from 2003 through 2010 ($169 to $365 million)
  - Aggregate cost for charity care and bad debts increased from 6.9% of commercial payments in 2003 to 10.5% in 2010

Milliman

Southeast Wisconsin Aggregate Hospital Cost Shift Burden

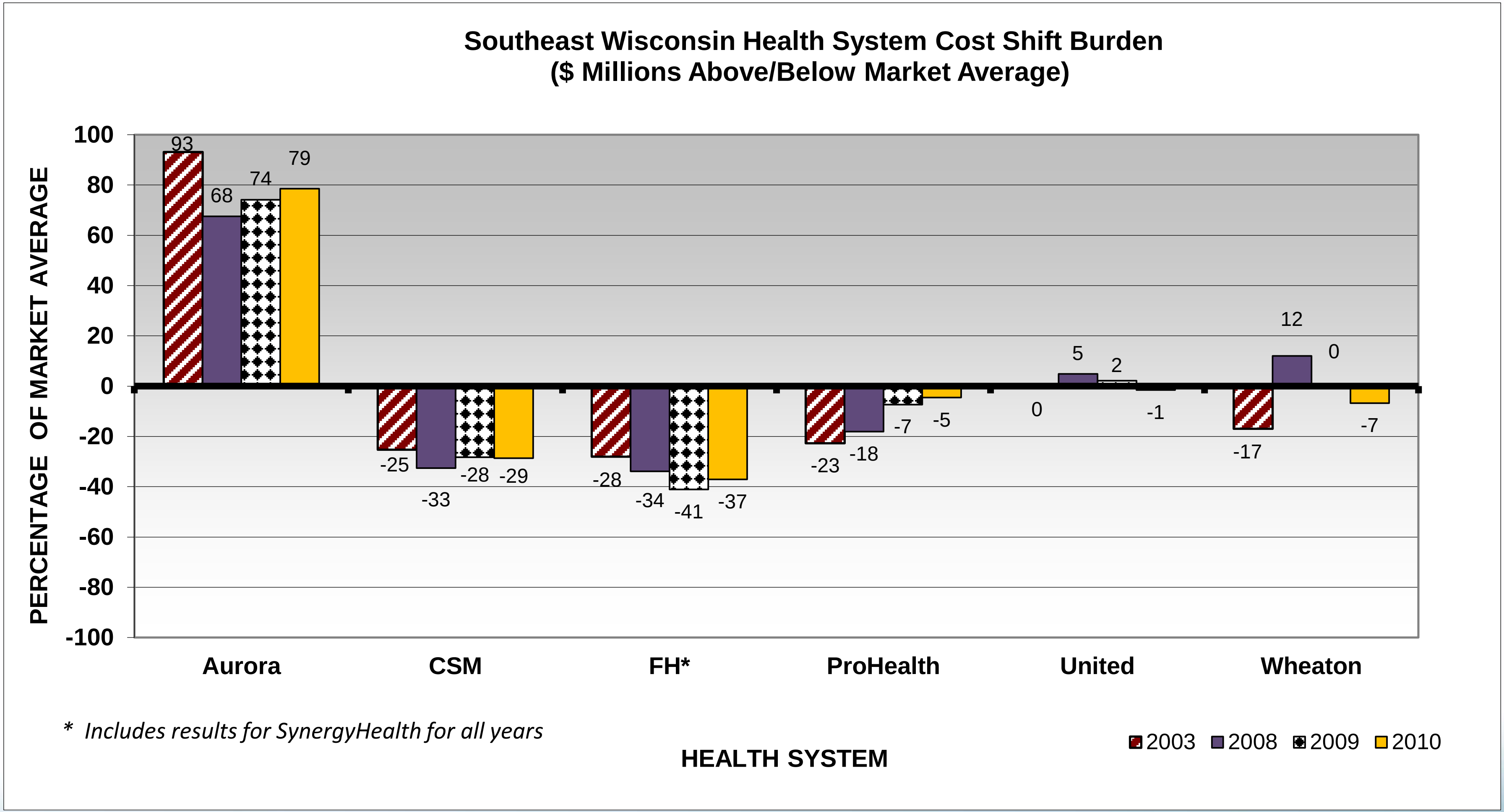
TOTAL SOUTHEAST WISCONSIN AREA HOSPITAL COST SHIFT BURDEN (IN MILLIONS OF DOLLARS)				
	2003	2008	2009	2010
MEDICARE	429	515	643	594
MEDICAID	165	273	134	257
GAMP	20	23	1	0
TOTAL GOVERNMENT COST SHIFT BURDEN	614	811	778	851
CHARITY CARE COST	36	65	72	67
BAD DEBT	133	268	290	299
TOTAL NON-GOVERNMENT COST SHIFT BURDEN	169	333	362	365
AGGREGATE COST SHIFT BURDEN	782	1,144	1,140	1,217
% of Commercial Payments (Total Government)	25.2%	25.0%	22.9%	24.5%
% of Commercial Payments (Total Non-Government)	6.9%	10.3%	10.6%	10.5%
% of Commercial Payments (Aggregate)	32.1%	35.3%	33.5%	35.0%

Milliman

Distribution of Relative Hospital Cost Shift Burden

- Aurora has proportionately higher levels of total cost shift burden than the other Southeast Wisconsin health systems despite lower average operating costs in 2010
  - Decline in relative operating cost position since 2003 appears to have contributed to reduced total cost shift burden
- CSM and FH have proportionately lower levels of cost shift burden than the other Southeast Wisconsin health systems despite 2010 operating costs higher than the market average
- The 2010 total cost shift burdens of the other Southeast Wisconsin health systems are relatively close to the market average
  - Relative increases in Wheaton's percentage of Medicaid patients increased its cost shift burdens towards market averages from 2003 through 2010

Distribution of Relative Hospital Cost Shift Burden Among Health Systems



Milliman

Commercial Market Concentration

Milliman

Commercial Market Concentration

- Our initial 2003 study identified the high geographic concentration of hospitals within individual Milwaukee area health systems as a factor contributing to Milwaukee's higher commercial hospital payment levels
- 2010 and previous studies measured changes in market shares of "predominant" health systems
  - "Predominant" health systems defined as health system with largest inpatient market share
  - Measured separately for each zip code
- Measurement area experienced a 30% decline in total discharges from 2003 through 2010
  - Represents impact of utilization and insurance coverage changes

Milliman

Commercial Market Concentration – *Background*

- Each health system's average commercial market shares appear to be the result of relatively higher market shares in a small number of zip codes
  - The overall commercial market share of the largest health system in Southeast Wisconsin (Aurora) is 33% while it averages about 57% in zip codes where it is a "predominant" health system
    - Other health systems exhibit similar patterns
- Preference for Closest Hospitals
  - Health system commercial market shares appeared to be related to hospital proximity in most zip codes
  - "Predominant" health system commercial market shares tended to be higher when competitors were located farther away
  - Pattern is consistent throughout duration of study period (2003 – 2010)

Milliman

Commercial Market Concentration – *Data*

- Measures used WHA hospital inpatient discharge data
- Included only commercial discharges of residents from seven county area to "Included Hospitals," Mercy Health Services (Lake Geneva or Janesville hospitals), and Columbia Center (Mequon)
  - Excluded Medicare, Medicaid, GAMP, Charity, Self Pay, and other non-commercial discharges
  - Excluded seven county area residents discharged from hospitals in other markets (Madison, Green Bay, Fond du Lac, Chicago, etc.)
- Effective with their merger in 2009, market shares for Synergy Health and Froedtert Health were calculated on a combined basis (presented as Froedert Health)
  - Calculated separately prior to 2009

Milliman

Commercial Market Concentration – *Methods*

- Based on analysis of health system inpatient commercial discharge market shares within each Southeast Wisconsin zip code (113 zip codes)
- Health system with the highest commercial market share in each zip code is defined as the "predominant" health system for that zip code
- Market average comparisons were developed using the weighted averages of "predominant" health system commercial market shares for each zip code
- Market segment analysis was based on changes in the distribution of commercial discharges among Low, Limited, Moderate, and High Competition market share categories

Milliman

Commercial Market Share Segment Descriptions

- Low Competition
  - "Predominant" health system market share is > 65%
    - Typically near single health system hospitals located relatively far from competitor hospitals (Waukesha, Burlington, Racine)

- Limited Competition
  - "Predominant" health system market share is 50% to 65%
    - Typically located in similar proximity to hospitals from only two competitor health systems (Kenosha, Hales Corners, Oak Creek)

Commercial Market Share Segment Descriptions

- Moderate Competition
  - “Predominant” health system market share is 35% to 50%
    - Primarily zip codes in similar proximity to hospitals from at least two (but usually three) competitor health systems (Hartland, New Berlin, Muskego)

- High Competition
  - “Predominant” health system market share is < 35%
    - Limited number of Milwaukee County zip codes located in similar proximity to hospitals from several health systems

Milliman

Commercial Market Concentration – *Results*

- 2007 study suggested that commercial market shares for "predominant" health systems generally increased from 2003
  - Weighted average and percentage of Limited and Low Competition discharges increased during measurement period
- 2008 – 2010 analyses suggest overall market concentration has declined since 2007
  - 2010 weighted average market share declined to 2003 level
  - Percentage of commercial discharges from zip codes with "predominant" health system market shares of 50% or more still increasing, however;
    - Percentage of 2010 discharges from Low Competition zip codes is less than in 2003, and
    - Most of the shift from Moderate to Limited Competition categories is the result of relatively small increases in market share by the "predominant" health systems

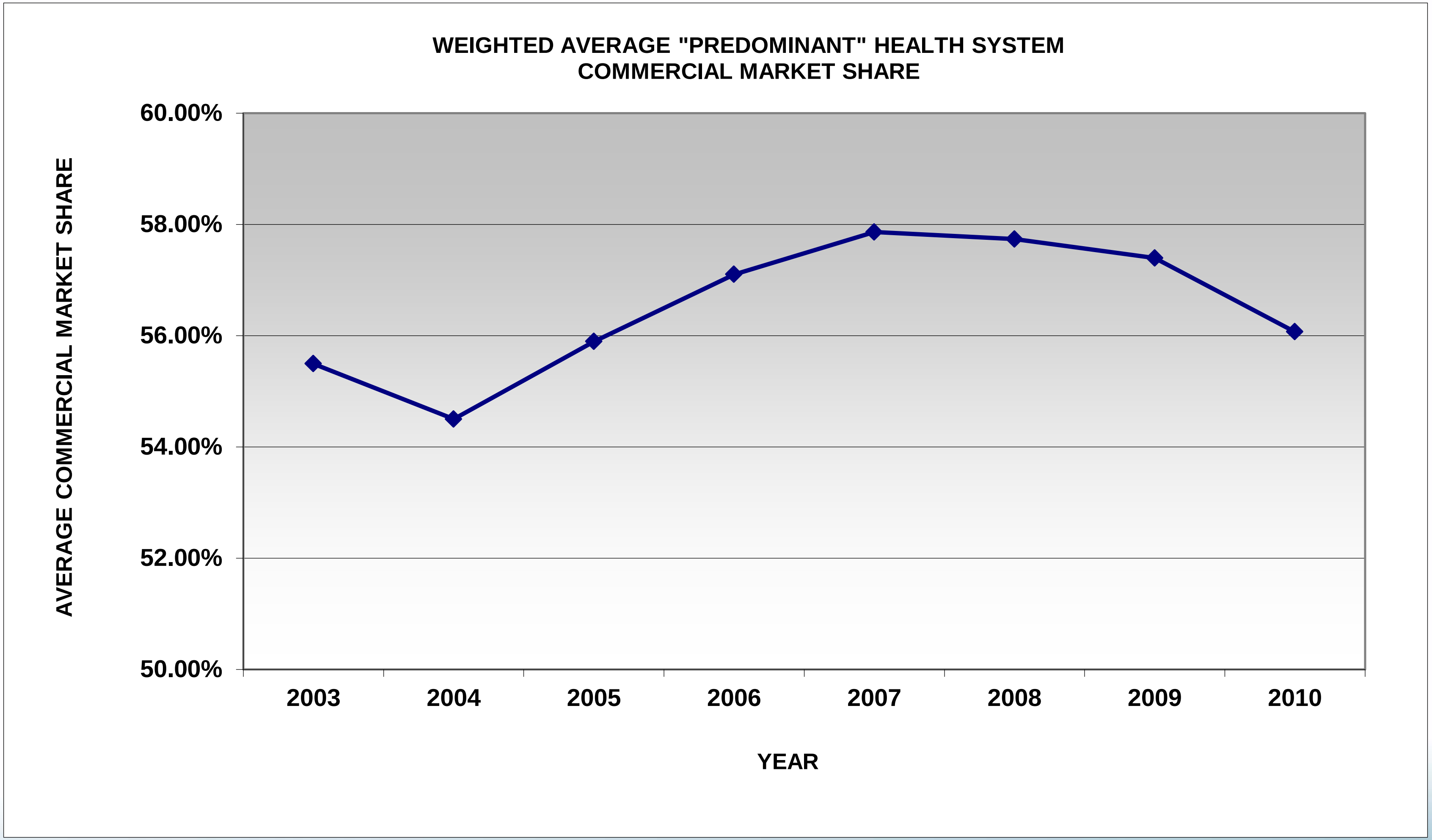
Milliman

2008-2010 Market Concentration Changes

- 40 zip codes (representing 28% of commercial discharges) experienced “predominant” health system market share reductions of at least 5% of total zip code discharges
  - Most affected zip codes are in areas with new hospitals
    - Western Waukesha county
    - Ozaukee and Eastern Milwaukee counties
  - Racine market also affected
- 17 zip codes (representing 11% of commercial discharges) experienced “predominant” health system market share increases of at least 5% of total discharges
  - Froedert / Synergy market consolidation in Washington County
  - Aurora market share growth in the City of Milwaukee
- Net impact is to lower weighted average “predominant” market share and shift market to Limited and High Competition categories

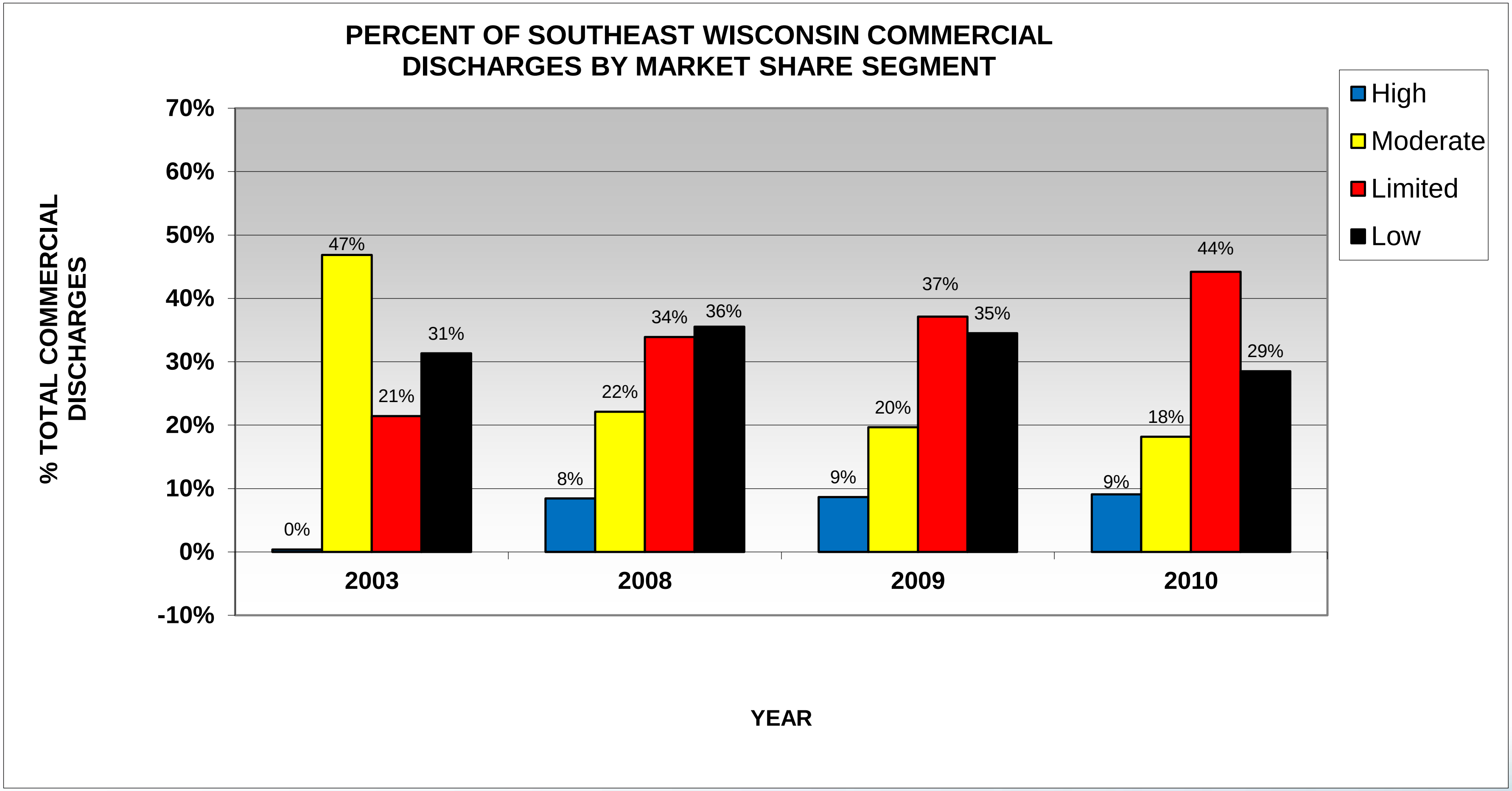
Milliman

Southeast Wisconsin Average “Predominant” Health System Market Shares



Milliman

Southeast Wisconsin Commercial Discharges by Market Share Segment



Caveats and Use of This Report

Caveats

- Hospital commercial payment and operating cost comparisons are based on hospital financial reports filed with WHA. To the extent health systems use different methods to account for the commercial payments or operating costs of its hospitals, or include non-hospital costs or payments in their reports to WHA, our comparisons may not be valid.

- Cost shift burden results pertain to aggregate commercial and governmental hospital payment levels only and do not reflect cost shift burden from non-hospital services (Physicians, Home Health, Retail Pharmacy).

Milliman

Caveats *(continued)*

- Our comparisons of health system geographic market concentration are based on commercial inpatient discharge data only. Health system market shares for outpatient services and / or non-commercial payers may be different.

- Results were developed using data that we did not audit, but we did review the data for general reasonableness.

Use of This Report

- This report is intended for use in collaborative quality and cost improvement initiatives. We ask that it not be used for public relations or general media purposes.
- Please review the full report (including the Appendix and its Attachments) and use the information in its entirety. Market comparisons using only one measure or even a limited number of comparisons can be misleading.

Milliman

Thank You

Keith Kieffer, CPA, RPh
Management Consultant
keith.kieffer@milliman.com

Juliya Buettner, MHSA, FACHE
Healthcare Management Consultant
juliya.buettner@milliman.com

Milliman, Inc.
15800 Bluemound Road, Suite 100
Brookfield, WI 53005
+1 262 784.2250

Greater Milwaukee Business Foundation on Health
Key Factors Influencing 2003 – 2010
Southeast Wisconsin Commercial
Payer Hospital Payment Levels
Appendix

Attachment 1

Southeast Wisconsin Health System Cost Shift Burden Comparison

Greater Milwaukee Business Foundation on Health
Key Factors Influencing 2003 – 2010
Southeast Wisconsin Commercial
Payer Hospital Payment Levels
Appendix

Attachment 1
Aurora 2003-2010 Aggregate Cost Shift Burden

Aurora Cost Shift Burden (in $Millions)				
	2003	**2008**	**2009**	**2010**
MEDICARE	204	242	301	250
MEDICAID	89	99	65	130
GAMP	11	7	0	0
TOTAL GOVERNMENT COST SHIFT BURDEN	305	348	366	380
CHARITY CARE	11	15	14	24
BAD DEBT	46	89	95	106
TOTAL NON-GOVERNMENT COST SHIFT BURDEN	57	104	109	130
AGGREGATE COST SHIFT BURDEN	361	451	475	510
% of Commercial Payments (Total Government)	36.5%	32.0%	30.6%	30.8%
% of Commercial Payments (Total Non-Government)	6.8%	9.5%	9.1%	10.5%
% of Commercial Payments (Aggregate)	43.3%	41.5%	39.7%	41.4%

Greater Milwaukee Business Foundation on Health
Key Factors Influencing 2003 – 2010
Southeast Wisconsin Commercial
Payer Hospital Payment Levels
Appendix

Attachment 1
CSM 2003-2010 Aggregate Cost Shift Burden

CSM Cost Shift Burden (in $Millions)				
	2003	**2008**	**2009**	**2010**
MEDICARE	48	46	51	59
MEDICAID	16	34	13	29
GAMP	1	0	0	0
TOTAL GOVERNMENT COST SHIFT BURDEN	64	80	64	88
CHARITY CARE	4	14	11	9
BAD DEBT	15	30	55	43
TOTAL NON-GOVERNMENT COST SHIFT BURDEN	19	44	66	52
AGGREGATE COST SHIFT BURDEN	83	124	129	140
% of Commercial Payments (Total Government)	19.1%	18.0%	13.5%	18.3%
% of Commercial Payments (Total Non-Government)	5.6%	9.9%	14.0%	10.8%
% of Commercial Payments (Aggregate)	24.7%	27.9%	27.5%	29.1%

Greater Milwaukee Business Foundation on Health
Key Factors Influencing 2003 – 2010
Southeast Wisconsin Commercial
Payer Hospital Payment Levels
Appendix

Attachment 1
FH 2003-2010 Aggregate Cost Shift Burden

FH* Cost Shift Burden (in $Millions)				
	2003	**2008**	**2009**	**2010**
MEDICARE	54	70	90	99
MEDICAID	18	49	22	41
GAMP	4	9	0	0
TOTAL GOVERNMENT COST SHIFT BURDEN	76	127	112	140
CHARITY CARE	8	15	19	10
BAD DEBT	19	41	46	50
TOTAL NON-GOVERNMENT COST SHIFT BURDEN	27	56	65	60
AGGREGATE COST SHIFT BURDEN	103	184	177	200
% of Commercial Payments (Total Government)	18.6%	20.7%	17.3%	20.7%
% of Commercial Payments (Total Non-Government)	6.6%	9.1%	10.0%	8.9%
% of Commercial Payments (Aggregate)	25.3%	29.8%	27.3%	29.5%

** Includes results for SynergyHealth for all years.*

Greater Milwaukee Business Foundation on Health
Key Factors Influencing 2003 – 2010
Southeast Wisconsin Commercial
Payer Hospital Payment Levels
Appendix

Attachment 1
ProHealth 2003-2010 Aggregate Cost Shift Burden

ProHealth Cost Shift Burden (in $Millions)				
	2003	**2008**	**2009**	**2010**
MEDICARE	44	67	83	82
MEDICAID	5	14	3	13
GAMP	0	0	0	0
TOTAL GOVERNMENT COST SHIFT BURDEN	49	81	86	95
CHARITY CARE	1	4	4	5
BAD DEBT	9	20	25	23
TOTAL NON-GOVERNMENT COST SHIFT BURDEN	10	24	29	28
AGGREGATE COST SHIFT BURDEN	59	105	115	123
% of Commercial Payments (Total Government)	19.2%	23.3%	23.6%	26.1%
% of Commercial Payments (Total Non-Government)	4.0%	6.8%	7.9%	7.6%
% of Commercial Payments (Aggregate)	23.2%	30.1%	31.5%	33.7%

Greater Milwaukee Business Foundation on Health
Key Factors Influencing 2003 – 2010
Southeast Wisconsin Commercial
Payer Hospital Payment Levels
Appendix

Attachment 1
United 2003-2010 Aggregate Cost Shift Burden

United Cost Shift Burden (in $Millions)				
	2003	**2008**	**2009**	**2010**
MEDICARE	17	29	31	23
MEDICAID	5	14	6	11
GAMP	0	0	0	0
TOTAL GOVERNMENT COST SHIFT BURDEN	22	43	37	34
CHARITY CARE	2	4	4	4
BAD DEBT	5	14	14	15
TOTAL NON-GOVERNMENT COST SHIFT BURDEN	6	18	18	19
AGGREGATE COST SHIFT BURDEN	28	61	55	53
% of Commercial Payments (Total Government)	24.5%	27.2%	23.4%	21.7%
% of Commercial Payments (Total Non-Government)	7.2%	11.1%	11.2%	12.2%
% of Commercial Payments (Aggregate)	31.7%	38.4%	34.6%	33.9%

Greater Milwaukee Business Foundation on Health
Key Factors Influencing 2003 – 2010
Southeast Wisconsin Commercial
Payer Hospital Payment Levels
Appendix

Attachment 1
Wheaton 2003-2010 Aggregate Cost Shift Burden

Wheaton Cost Shift Burden (in $Millions)				
	2003	**2008**	**2009**	**2010**
MEDICARE	63	61	87	80
MEDICAID	32	64	25	34
GAMP	4	7	1	0
TOTAL GOVERNMENT COST SHIFT BURDEN	99	132	113	114
CHARITY CARE	10	14	20	14
BAD DEBT	40	74	55	62
TOTAL NON-GOVERNMENT COST SHIFT BURDEN	49	88	75	76
AGGREGATE COST SHIFT BURDEN	148	219	189	191
% of Commercial Payments (Total Government)	19.2%	22.4%	20.1%	20.2%
% of Commercial Payments (Total Non-Government)	9.6%	14.9%	13.4%	13.5%
% of Commercial Payments (Aggregate)	28.8%	37.3%	33.5%	33.7%

Greater Milwaukee Business Foundation on Health
Key Factors Influencing 2003 – 2010
Southeast Wisconsin Commercial
Payer Hospital Payment Levels
Appendix

Attachment 2

Market Concentration

Greater Milwaukee Business Foundation on Health
Key Factors Influencing 2003 - 2010
Southeast Wisconsin Commercial
Payer Hospital Payment Levels

Attachment 2
Market Concentration

Predominant Health System Key	
A - Aurora	P - ProHealth
C - CSM	S - Synergy
F-FH*	U - United
M - Mercy	W - Wheaton

** Includes results for SynergyHealth for all years.*

"Predominant" Health System Market Share by ZIP Code

ZIP Code			Predominant Health System Market Share				Predominant Health System				Commercial Discharges			
City	**County**	**Zip**	**2003**	**2008**	**2009**	**2010**	**2003**	**2008**	**2009**	**2010**	**2003**	**2008**	**2009**	**2010**
Allenton	Washington	53002	45.5%	35.4%	75.3%	69.4%	S	S	F	F	145	99	89	85
Belgium	Ozaukee	53004	83.0%	89.0%	85.4%	79.6%	C	C	C	C	153	146	157	108
Brookfield	Waukesha	53005	49.3%	34.7%	29.7%	32.0%	W	W	F	F	900	877	664	725
Butler	Waukesha	53007	46.0%	55.8%	57.5%	68.8%	F	F	F	F	113	86	120	64
Cedarburg	Ozaukee	53012	75.6%	67.9%	66.7%	69.0%	C	C	C	C	817	750	616	654
Colgate	Washington	53017	60.2%	56.4%	69.1%	68.2%	F	F	F	F	266	234	262	233
Delafield	Waukesha	53018	69.2%	69.1%	66.6%	54.5%	P	P	P	P	289	324	290	257
Fredonia	Ozaukee	53021	69.2%	67.3%	72.5%	65.5%	C	C	C	C	247	199	182	226
Germantown	Washington	53022	63.1%	62.4%	70.8%	65.1%	F	F	F	F	1,097	916	809	727
Grafton	Ozaukee	53024	80.5%	79.4%	79.2%	70.1%	C	C	C	C	844	725	663	653
Hartford	Washington	53027	42.0%	41.8%	47.1%	49.4%	A	A	F	F	1,209	1,160	1,026	933
Hartland	Waukesha	53029	60.4%	67.3%	61.5%	49.2%	P	P	P	P	962	1,002	753	801
Hubertus	Washington	53033	68.7%	66.9%	69.8%	72.7%	F	F	F	F	284	254	202	198
Jackson	Washington	53037	35.8%	36.4%	70.2%	62.5%	F	F	F	F	481	492	439	419
Kewaskum	Washington	53040	61.2%	46.4%	72.0%	74.0%	S	S	F	F	330	371	318	327
Brookfield	Waukesha	53045	53.1%	38.3%	38.3%	37.7%	W	W	W	W	966	864	728	750
Lannon	Waukesha	53046	69.2%	68.4%	71.4%	57.1%	F	F	F	F	13	38	28	28
Menomonee Falls	Waukesha	53051	68.4%	67.2%	68.1%	69.2%	F	F	F	F	2,142	1,681	1,539	1,547
Nashotah	Waukesha	53058	64.7%	78.6%	68.6%	49.4%	P	P	P	P	190	145	118	87
Oconomowoc	Waukesha	53066	78.7%	81.1%	78.5%	55.5%	P	P	P	P	1,579	1,892	1,434	1,309
Pewaukee	Waukesha	53072	52.6%	64.5%	51.1%	50.9%	P	P	P	P	1,231	1,283	982	962
Port Washington	Ozaukee	53074	86.1%	79.9%	84.4%	77.2%	C	C	C	C	617	546	480	500
Richfield	Washington	53076	65.3%	61.3%	69.1%	77.6%	F	F	F	F	173	124	136	125
Saukville	Ozaukee	53080	78.8%	71.3%	74.9%	70.2%	C	C	C	C	312	258	203	238
Slinger	Washington	53086	37.7%	36.5%	59.4%	57.8%	A	A	F	F	374	406	387	339
Sussex	Waukesha	53089	45.6%	44.4%	47.8%	50.8%	F	F	F	F	928	881	730	716
West Bend	Washington	53090	50.9%	46.9%	71.9%	70.1%	S	S	F	F	271	1,015	918	863
Thiensville	Ozaukee	53092	70.2%	69.7%	69.9%	61.6%	C	C	C	C	953	775	668	658
West Bend	Washington	53095	49.9%	46.3%	71.5%	71.9%	S	S	F	F	1,424	1,209	1,057	1,025
Mequon	Ozaukee	53097	68.6%	56.9%	56.6%	52.2%	C	C	C	C	188	246	182	201
Big Bend	Waukesha	53103	59.5%	67.2%	60.5%	52.1%	P	P	P	P	190	192	172	169
Bristol	Kenosha	53104	47.4%	44.2%	42.3%	43.1%	A	A	U	U	209	226	194	160
Burlington	Racine	53105	74.8%	70.9%	73.8%	73.3%	A	A	A	A	1,334	1,170	1,078	961
Caledonia	Racine	53108	65.8%	42.0%	43.9%	51.6%	W	A	A	A	187	174	107	126
Cudahy	Milwaukee	53110	46.7%	60.9%	63.6%	63.5%	A	A	A	A	1,018	814	777	690
Darien	Walworth	53114	61.2%	77.4%	55.7%	57.1%	A	A	A	A	98	106	79	84
Delavan	Walworth	53115	72.4%	65.4%	68.3%	59.1%	A	A	A	A	671	566	515	428
Dousman	Waukesha	53118	77.7%	80.9%	72.7%	56.4%	P	P	P	P	341	414	256	202
Eagle	Waukesha	53119	69.9%	76.7%	66.8%	65.2%	P	P	P	P	312	257	214	181
East Troy	Walworth	53120	48.8%	58.6%	55.1%	46.4%	P	P	P	P	545	452	379	392
Elkhorn	Walworth	53121	74.5%	68.3%	71.1%	64.2%	A	A	A	A	933	772	672	640
Elm Grove	Waukesha	53122	43.4%	46.8%	35.3%	37.5%	W	W	W	W	249	218	207	192
Fontana	Walworth	53125	77.6%	66.1%	69.8%	76.5%	A	A	A	A	76	59	53	34
Franksville	Racine	53126	60.4%	43.2%	47.3%	50.4%	W	W	A	W	278	292	226	238
Genoa City	Walworth	53128	83.5%	89.1%	84.7%	83.8%	A	A	A	A	212	192	163	185

Greater Milwaukee Business Foundation on Health
Key Factors Influencing 2003 - 2010
Southeast Wisconsin Commercial
Payer Hospital Payment Levels

Attachment 2
Market Concentration

Predominant Health System Key	
A - Aurora	P - ProHealth
C - CSM	S - Synergy
F-FH*	U - United
M - Mercy	W - Wheaton

** Includes results for SynergyHealth for all years.*

"Predominant" Health System Market Share by ZIP Code

ZIP Code			Predominant Health System Market Share				Predominant Health System				Commercial Discharges			
City	***County***	***Zip***	***2003***	***2008***	***2009***	***2010***	***2003***	***2008***	***2009***	***2010***	***2003***	***2008***	***2009***	***2010***
Greendale	Milwaukee	53129	46.5%	60.5%	66.4%	66.1%	A	A	A	A	709	597	494	442
Hales Corners	Milwaukee	53130	48.1%	58.0%	60.7%	54.9%	A	A	A	A	372	357	313	308
Franklin	Milwaukee	53132	54.3%	61.3%	63.5%	60.8%	A	A	A	A	1,573	1,536	1,412	1,365
Kansasville	Racine	53139	45.8%	50.0%	70.4%	43.8%	A	A	A	A	168	104	81	105
Kenosha	Kenosha	53140	49.1%	54.7%	53.9%	57.8%	U	U	U	U	1,243	1,224	951	816
Kenosha	Kenosha	53141	50.0%	55.6%	0.0%	0.0%	W	U	A	A	14	9	-	-
Kenosha	Kenosha	53142	48.6%	55.4%	53.1%	56.6%	U	U	U	U	1,440	1,492	1,240	1,352
Kenosha	Kenosha	53143	51.3%	56.2%	55.6%	56.1%	U	U	U	U	1,206	991	851	763
Kenosha	Kenosha	53144	43.8%	50.6%	49.9%	56.9%	U	U	U	U	1,094	1,194	969	837
New Berlin	Waukesha	53146	31.8%	45.8%	31.0%	32.6%	P	P	P	P	390	365	284	267
Lake Geneva	Walworth	53147	78.6%	79.8%	80.1%	75.5%	A	A	A	A	635	515	523	368
Mukwonago	Waukesha	53149	67.2%	74.0%	67.7%	65.7%	P	P	P	P	966	981	737	709
Muskego	Waukesha	53150	36.0%	38.6%	45.8%	43.8%	A	P	A	A	1,168	1,202	952	1,065
New Berlin	Waukesha	53151	36.1%	39.3%	41.9%	39.7%	A	A	A	A	1,624	1,406	1,231	1,219
North Prairie	Waukesha	53153	75.2%	85.0%	79.0%	64.0%	P	P	P	P	121	153	119	86
Oak Creek	Milwaukee	53154	48.6%	64.7%	63.2%	60.1%	A	A	A	A	1,803	1,720	1,521	1,464
Pell Lake	Walworth	53157	84.4%	86.1%	95.8%	0.0%	A	A	A	A	45	36	24	-
Pleasant Prairie	Kenosha	53158	47.9%	56.1%	57.7%	55.4%	U	U	U	U	585	685	617	525
Salem	Kenosha	53168	54.6%	51.1%	47.4%	47.1%	A	A	A	A	416	370	331	365
Silver Lake	Kenosha	53170	68.6%	49.5%	53.1%	45.3%	A	A	A	A	86	95	81	86
South Milwaukee	Milwaukee	53172	49.3%	64.6%	64.7%	67.2%	A	A	A	A	1,139	965	827	839
Sturtevant	Racine	53177	80.2%	61.0%	44.5%	55.0%	W	W	W	W	354	346	220	280
Trevor	Kenosha	53179	66.1%	46.6%	48.0%	49.0%	A	A	A	A	177	176	175	143
Twin Lakes	Kenosha	53181	73.6%	73.7%	67.4%	65.1%	A	A	A	A	254	205	178	172
Union Grove	Racine	53182	61.5%	60.2%	43.3%	50.3%	W	W	W	W	452	402	326	386
Wales	Waukesha	53183	77.9%	85.5%	77.7%	76.0%	P	P	P	P	172	124	94	100
Walworth	Walworth	53184	70.6%	78.3%	71.4%	76.0%	A	A	A	A	180	129	126	104
Waterford	Racine	53185	46.8%	44.7%	53.3%	48.7%	A	A	A	A	961	879	734	741
Waukesha	Waukesha	53186	67.9%	76.9%	68.3%	64.2%	P	P	P	P	1,951	2,127	1,350	1,231
Waukesha	Waukesha	53188	75.6%	82.3%	78.0%	74.5%	P	P	P	P	1,928	2,104	1,539	1,437
Waukesha	Waukesha	53189	67.1%	80.3%	75.0%	68.6%	P	P	P	P	1,254	1,509	1,154	1,050
Whitewater	Walworth	53190	52.4%	52.4%	53.9%	58.6%	M	M	M	M	164	210	154	181
Williams Bay	Walworth	53191	84.1%	76.7%	66.3%	60.3%	A	A	A	A	107	73	80	78
Milwaukee	Milwaukee	53201	40.0%	33.3%	36.4%	0.0%	C	C	C	A	35	9	11	-
Milwaukee	Milwaukee	53202	60.4%	59.5%	50.7%	53.0%	C	C	C	C	732	575	503	575
Milwaukee	Milwaukee	53204	39.9%	45.3%	49.1%	44.6%	W	A	A	A	1,273	660	460	404
Milwaukee	Milwaukee	53205	39.3%	44.5%	41.5%	31.1%	W	A	A	F	354	209	176	183
Milwaukee	Milwaukee	53206	50.1%	30.0%	33.9%	28.9%	W	C	C	A	1,213	526	375	374
Milwaukee	Milwaukee	53207	41.6%	50.6%	55.1%	52.0%	A	A	A	A	2,018	1,628	1,409	1,391
Milwaukee	Milwaukee	53208	43.0%	32.4%	32.7%	38.0%	W	A	A	A	1,434	927	782	663
Milwaukee	Milwaukee	53209	45.5%	41.1%	43.8%	42.6%	W	C	C	C	2,464	1,399	1,213	1,125
Milwaukee	Milwaukee	53210	56.6%	35.7%	32.0%	29.7%	W	W	W	W	1,432	746	724	711
Milwaukee	Milwaukee	53211	70.8%	68.7%	67.6%	66.9%	C	C	C	C	1,276	1,015	840	855
Milwaukee	Milwaukee	53212	43.8%	59.1%	51.5%	51.1%	C	C	C	C	1,243	668	633	585
Milwaukee	Milwaukee	53213	38.9%	33.9%	37.9%	34.1%	W	F	F	F	1,445	1,161	1,092	968
Milwaukee	Milwaukee	53214	38.4%	50.5%	51.2%	51.0%	A	A	A	A	1,894	1,640	1,390	1,379

Greater Milwaukee Business Foundation on Health
Key Factors Influencing 2003 - 2010
Southeast Wisconsin Commercial
Payer Hospital Payment Levels

Attachment 2
Market Concentration

Predominant Health System Key	
A - Aurora	P - ProHealth
C - CSM	S - Synergy
F-FH*	U - United
M - Mercy	W - Wheaton

** Includes results for SynergyHealth for all years.*

"Predominant" Health System Market Share by ZIP Code

ZIP Code			Predominant Health System Market Share				Predominant Health System				Commercial Discharges			
City	***County***	***Zip***	***2003***	***2008***	***2009***	***2010***	***2003***	***2008***	***2009***	***2010***	***2003***	***2008***	***2009***	***2010***
Milwaukee	Milwaukee	53215	40.0%	50.7%	56.0%	56.0%	W	A	A	A	2,582	1,674	1,403	1,258
Milwaukee	Milwaukee	53216	51.8%	37.0%	29.2%	30.4%	W	W	W	W	1,829	1,008	870	785
Milwaukee	Milwaukee	53217	66.6%	67.0%	64.7%	62.3%	C	C	C	C	1,559	1,135	1,137	1,155
Milwaukee	Milwaukee	53218	50.8%	34.4%	27.1%	27.2%	W	W	W	W	2,191	1,326	1,104	963
Milwaukee	Milwaukee	53219	46.1%	61.3%	65.0%	61.4%	A	A	A	A	1,867	1,678	1,562	1,447
Milwaukee	Milwaukee	53220	50.2%	65.6%	69.8%	66.8%	A	A	A	A	1,422	1,256	1,172	1,038
Milwaukee	Milwaukee	53221	49.7%	61.5%	61.2%	61.3%	A	A	A	A	1,994	1,637	1,436	1,470
Milwaukee	Milwaukee	53222	51.5%	33.1%	31.0%	34.5%	W	W	W	F	1,469	1,219	1,205	1,114
Milwaukee	Milwaukee	53223	36.0%	39.5%	40.3%	36.3%	W	C	C	C	1,493	1,077	973	849
Milwaukee	Milwaukee	53224	36.0%	39.2%	43.4%	43.2%	W	F	F	F	1,050	775	648	623
Milwaukee	Milwaukee	53225	43.3%	31.3%	38.9%	36.0%	W	F	F	F	1,481	947	864	741
Milwaukee	Milwaukee	53226	43.2%	35.5%	40.9%	35.2%	W	F	F	F	940	836	768	753
Milwaukee	Milwaukee	53227	46.4%	56.3%	57.5%	61.9%	A	A	A	A	1,175	1,114	1,028	980
Milwaukee	Milwaukee	53228	50.4%	55.0%	61.2%	59.4%	A	A	A	A	738	647	603	522
Milwaukee	Milwaukee	53233	35.1%	50.7%	60.9%	64.5%	W	A	A	A	279	134	110	107
Milwaukee	Milwaukee	53235	45.6%	55.6%	62.1%	54.7%	A	A	A	A	432	401	398	393
Racine	Racine	53402	78.3%	71.7%	54.1%	62.6%	W	W	W	W	1,826	1,628	959	1,193
Racine	Racine	53403	82.5%	72.2%	57.7%	69.3%	W	W	W	W	1,312	1,058	591	792
Racine	Racine	53404	85.5%	83.7%	70.3%	79.0%	W	W	W	W	718	497	269	357
Racine	Racine	53405	81.2%	76.1%	59.2%	72.0%	W	W	W	W	1,496	1,236	764	948
Racine	Racine	53406	79.8%	72.2%	57.5%	65.5%	W	W	W	W	1,241	1,223	776	991
Sharon	Walworth	53585	61.9%	62.5%	64.2%	53.2%	A	A	A	A	63	56	53	62
Total											96,872	82,908	69,261	67,078