# ☞ 05hr_SSC-HCR_Misc_pt02

☞ Details: Informational hearing to discuss GAO report 05-856 and health care cost, quality and access in Southeastern Wisconsin. Hearing held in Milwaukee, Wisconsin on April 11, 2006.

(FORM UPDATED: 08/11/2010)

# WISCONSIN STATE LEGISLATURE ...
# PUBLIC HEARING - COMMITTEE RECORDS

## 2005-06
(session year)

## Senate
(Assembly, Senate or Joint)

## Select Committee on Health Care Reform...

## COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

## INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
  (**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
  (**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

* Contents organized for archiving by: Stefanie Rose (LRB) (August 2012)

# Senate

## Record of Committee Proceedings

## Select Committee on Health Care Reform

**Informational hearing to discuss GAO report 05-856 and health care cost, quality and access in Southeastern Wisconsin**

Speakers will share their views and reactions to the Government Accountability Office (GAO) report 05-856: Federal Employees Health Benefits Program/Competition and Other Factors Linked to Wide Variation in Health Care Prices.

The scope of the discussion will also include health care cost, quality and access in Wisconsin, with an emphasis on the health care environment in Southeastern Wisconsin.

April 11, 2006 **PUBLIC HEARING HELD**

| | | |
|---|---|---|
| Present: | (5) | Senators Roessler, Darling, Olsen, Erpenbach and Miller. |
| Absent: | (0) | None. |

Appearances For
- None.

Appearances Against
- None.

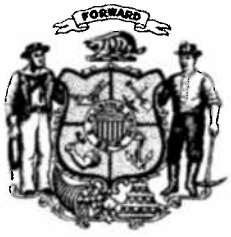
Appearances for Information Only
- Mike Brady, Milwaukee — City of Milwaukee
- Steve Brenton, Madison — Wisconsin Hospital Association
- Bill Bazan, Milwaukee — Wisconsin Hospital Association
- George Lange, Milwaukee — Wisconsin Medical Society
- Cindy Helstad, Madison — Wisconsin Medical Society
- John Torinus, West Bend — Serigraph
- Jon Rauser, Milwaukee — The Rauser Agency, Inc
- Dick Tillmar, Milwaukee — Diversified Insurance Services, Inc
- David Reimer, Milwaukee — Wisconsin Health Project

Registrations For
- None.

Registrations Against
- None.

Jennifer Stegall
Committee Clerk


WISCONSIN STATE LEGISLATURE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These people did not testify... since info. hearing — not included on ROR

## SENATE HEARING SLIP

(Please Print Plainly)

DATE: 4/11/06

BILL NO. _____

or

SUBJECT _____

CATHERINE ANTONIC

(NAME)

400 E. Wisconsin Ave STE 200

(Street Address or Route Number)

Milwaukee WI 53202

(City and Zip Code)

(Representing)

Speaking in Favor: ☐

Speaking Against: ☐

Registering in Favor: but not speaking: ☐

Registering Against: but not speaking: ☐

Speaking for information only; Neither for nor against: ☐

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Senate Sergeant–At–Arms
State Capitol – B35 South
P.O.Box 7882
Madison, WI 53707–7882

## SENATE HEARING SLIP

(Please Print Plainly)

DATE: 4/11/06

BILL NO. _____

or

SUBJECT _____

David Newby

(NAME)

(Street Address or Route Number)

(City and Zip Code)

State AFL-CIO

(Representing)

Speaking in Favor: ☐

Speaking Against: ☐

Registering in Favor: but not speaking: ☐

Registering Against: but not speaking: ☐

Speaking for information only; Neither for nor against: ☒

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## SENATE HEARING SLIP

(Please Print Plainly)

DATE: 4/11/06

BILL NO. _____

or

SUBJECT _____

ANDY SERIS

(NAME)

8209 WARREN AVE

(Street Address or Route Number)

WAUWATOSA, WI 53213

(City and Zip Code)

(Representing)

Speaking in Favor: ☐

Speaking Against: ☐

Registering in Favor: but not speaking: ☐

Registering Against: but not speaking: ☐

Speaking for information only; Neither for nor against: ☐

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(Please Print Plainly)

DATE: 4/11/06

BILL NO. _____

or

SUBJECT _____

_____

Robert Olsen

(NAME)

322 N. Garfield

(Street Address or Route Number)

Hinsdale

(City and Zip Code)

_____

(Representing)

Speaking in Favor: ☐

Speaking Against: ☐

Registering in Favor:
but not speaking: ☐

Registering Against:
but not speaking: ☐

Speaking for information
only; Neither for nor against: ☐

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(Please Print Plainly)

DATE: 4-11-06

BILL NO. _____

or

SUBJECT Long term care Reform

Julie Erdmann

(NAME)

1555 S. Layton Blvd.

(Street Address or Route Number)

Milwaukee, WI 53215

(City and Zip Code)

Community Care

(Representing)

Speaking in Favor: ☐

Speaking Against: ☐

Registering in Favor:
but not speaking: ☐

Registering Against:
but not speaking: ☐

Speaking for information
only; Neither for nor against: ☐

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State Capitol – B35 South
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## SENATE HEARING SLIP

(Please Print Plainly)

DATE: 4/11/06

BILL NO. _____

or

SUBJECT _____

_____

Susan M^c Murray

(NAME)

_____

(Street Address or Route Number)

_____

(City and Zip Code)

AFSCME

(Representing)

Speaking in Favor: ☐

Speaking Against: ☐

Registering in Favor:
but not speaking: ☐

Registering Against:
but not speaking: ☐

Speaking for information
only; Neither for nor against: ☐

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Dave prepared this release.

# WISCONSIN LEGISLATURE

P. O. Box 7882 Madison, WI 53707-7882

## FOR IMMEDIATE RELEASE

For More Information, Contact:
Senator Alberta Darling
Senator Carol Roessler

April 4, 2006
1-800-863-1113
1-888-736-8720

## STATE SENATE PANEL ON HEALTH CARE REFORM BEGINS WORK IN MILWAUKEE

**MADISON . . .** A legislative committee charged with examining health care costs in Wisconsin has scheduled its initial hearing next week in Milwaukee. Senators Alberta Darling (R-River Hills) and Carol Roessler (R-Oshkosh) are co-chairs of the Senate Select Committee on Health Care Reform.

Ok but

* JS suggestion attached

"Wisconsin health care providers deliver excellent services, but access to the system is increasingly difficult to obtain," said Roessler. "We will work in a bipartisan manner to make private coverage more affordable, and our safety net more reliable and effective."

"As the population and economic center of Wisconsin, it's appropriate to begin our discussion of the health care cost issue in the Milwaukee area," said Darling. "We're looking for input that will identify the factors behind the rising costs of care and coverage, and seeking recommendations for policy changes at the State level that will both lower the cost of coverage and improve the quality of care."

The meeting – open to the public – will be held on Tuesday, April 11 at 10 a.m. in the Italian Community Center at 631 E. Chicago St. in Milwaukee. Invited speakers representing health care providers, consumers and other interests will address issues related to the cost, quality and access to health care. Among the discussion topics is the above-average price of health care services in Southeast Wisconsin, the subject of a 2005 U.S. General Accounting Office study requested by Milwaukee Mayor Tom Barrett and Congressman Paul Ryan.

"In order to get to a solution, we need to understand the problem," said Darling. "The input from these hearings is a first step in directing us toward a more effective and efficient health care system."

The Milwaukee hearing will be the first of two meetings held outside of the Capitol. A May hearing will be held at a to-be-determined location in Northwest Wisconsin, prior to a series of Madison meetings in the following months.

###

JS suggestion for CR quote... yet health care is

"Wisconsin health care providers deliver excellent services, but access to the system is increasingly difficult to obtain. This is in large part due to skyrocketing health care costs which place a huge financial burden on health care consumers, whether they are businesses or individuals," said Roessler. "In an effort to make private health care coverage more affordable while maintaining quality services, we will work in a bipartisan manner to closely analyze health care cost, quality and access in Wisconsin."

# WISCONSIN LEGISLATURE

**P. O. Box 7882 Madison, WI 53707-7882**


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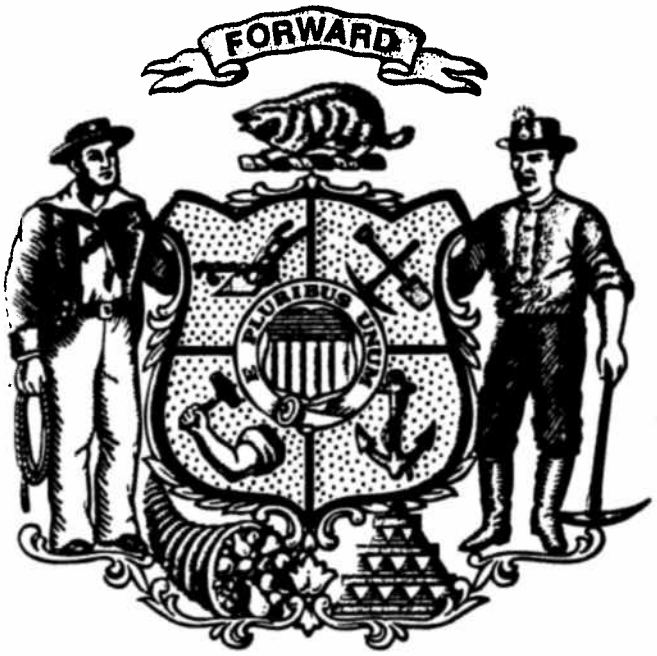
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# WISCONSIN LEGISLATURE

P. O. Box 7882 Madison, WI 53707-7882


## FOR IMMEDIATE RELEASE


For More Information, Contact:
Senator Alberta Darling
Senator Carol Roessler


April 6, 2006
1-800-863-1113
1-888-736-8720

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BROYDRICK & ASSOCIATES

111 E. Kilbourn Ave
Suite 2060
Milwaukee, WI 53202
Affiliate Offices in Madison, WI
And Washington D.C.

Phone: (414) 224-9393
Fax: (414) 224-0323
Email: jbroehm@broydrick.com
Website: www.broydrick.com

*Fax Cover Sheet*

| | |
|---|---|
| **To:** Senator Roessler | **From:** John Broehm |
| **Fax Number:** 608-266-0423 | **Date:** 4-10-06 |
| **Phone:** | **Pages:** 2 |
| **Re:** Hearing Tomorrow | **CC:** |

☐ URGENT ☐ REPLY ASAP ☐ PLEASE COMMENT ☐ PLEASE REVIEW ☒ FOR YOUR INFORMATION

Sen. Roessler,

Bill and I thought you might like to read this article, as it might be appropriate in preparation for tomorrow's hearing. If you should have any questions, please feel free to give me a call. (414) 224-9393.

Sincerely,
John

# Report on health costs relies on skewed data

After noting the media coverage surrounding the recent Government Accountability Office report on health care costs in Wisconsin, I decided to read it for myself. The data it uses left me scratching my head.

All I can say is that this study has as much to do with health care as astrology does with predicting the future. I have listed some problems:

**This study has as much to do with health care as astrology does with predicting the future.**

• This study does not reflect the total universe of health care. Its population was made up only of federal employees. There simply aren't that many federal employees here in Wisconsin, which would skew the results.

• The study did not use data from all 331 metropolitan areas. For instance, it used 319 areas when looking at physician prices, and 232 when looking at hospital stay prices. The GAO excluded some metro areas because, for instance, "there was an insufficient number of hospital stays to support our price analyses." So some cities with

**GUEST COMMENT**

BILL BROYDRICK

even lower numbers of federal employees were excluded but Wisconsin's cities were left in. This skews the numbers against Wisconsin even more.

• Other data was left out, mainly because some of the numbers were too complex for useful analysis. For instance, the report excluded hospital stays that involved multiple providers. It also excluded some physician visits that could not be "uniformly classified." This further takes away from the full story on health care costs across the country.

The report, using this skewed, and, I might add, years-old data, concludes that health care costs in Wisconsin are high because physician and hospital-stay prices are high.

## CONTRADICTORY FINDINGS

However, the report then contradicts itself. It finds that total cost, or spending per enrollee in the system, is actually much lower compared with other metro areas. Here is how this breaks down:

When looking at hospital prices, two Wisconsin cities are in the top 10.

When you look at physician prices, 11 Wisconsin cities are in the top 20.

But, when looking at total spending per enrollee, only two Wisconsin cities are in the top 35. In fact, the other nine cities drop off the list entirely. This shows another problem with the how data was collected. Did those nine other cities disappear off the map?

I was disappointed by this study. The high cost of health care is an important issue for the business community here in Wisconsin and nationwide. There are many reasons for it that need to be looked at, but I think the GAO report sent some people down the wrong path.

In the meantime, our health care providers in Wisconsin need to continue their efforts to move toward greater transparency, allowing consumers to make informed choices about their health care. This is the best way to reduce costs in Wisconsin.

**BILL BROYDRICK** *is a principal of Broydrick & Associates, a lobbying firm with offices in Milwaukee and Madison.*

MARKETING REPRESENTATIVES:
Nancy Bradley nbradley@bizjournals.com
Victoria Bradley vbradley@bizjournals.com

ADVERTISING
DIRECTOR OF ADVERTISING SALES:
Kathryn Herman kherman@bizjournals.com
SENIOR ACCOUNT EXECUTIVES:
Leah DeLaney Karge lkarge@bizjournals.com
David Merk dmerk@bizjournals.com
NEW BUSINESS DEVELOPMENT DIRECTOR:
Dana Schumacher dschumacher@bizjournals.com
ACCOUNT EXECUTIVES:
Merry Donato mdonato@bizjournals.com
Nikki Winchell nwinchell@bizjournals.com
BUSINESS MARKETPLACE MANAGER:
Lane Shebesta lshebesta@bizjournals.com
BUSINESS MARKETPLACE ACCOUNT EXECUTIVE:
Jeff Lawrence jlawrence@bizjournals.com
ADVERTISING EVENTS AND PROJECT COORDINATOR:
Robyn Miceli rmiceli@bizjournals.com
ADVERTISING GRAPHIC ARTISTS:
Paul Pearson ppearson@bizjournals.com
Veronica Montoto vmontoto@bizjournals.com

ADMINISTRATION
DIRECTOR OF BUSINESS OPERATIONS:
Renee Dries rdries@bizjournals.com
EVENT MANAGER:
John Menzel jmenzel@bizjournals.com
SALES ADMINISTRATOR/
TECHNOLOGY COORDINATOR:
Rebecca Romans Guddle rguddle@bizjournals.com
ADMINISTRATION AND PROJECT COORDINATOR:
Liz Sinclair esinclair@bizjournals.com
OFFICE COORDINATOR:
Debby Fluder dfluder@bizjournals.com
FRONT DESK:
Ann Steinbach asteinbach@bizjournals.com



120 W. Morehead St., #400, Charlotte, NC 28202
Ray Skeen, Chairman

American City Business Journals

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**Stegall, Jennifer**

**From:** Shinozaki, Akiko
**Sent:** Monday, April 10, 2006 8:40 AM
**To:** Shorter, Ginnie; Stegall, Jennifer
**Subject:** Phone call

John Gardner from Zeppos & Associates called on behalf of Tim Bauers. Tim is working for health care mgt for long time and is wondering if he could provide his expertee re: health care reform panel.
John said it's not necessary to set up the meeting with CR right now but maybe in future... John said he'll tell Tim about tomorrow's meeting in Milwaukee and Tim may introduce himself to CR directly... His phone # is 414-276-6237 and ask for John...

4/10 - Dave said Alberta may meet with John in the District @ Somapt.


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WISCONSIN HOSPITAL ASSOCIATION, INC.

April 11, 2006

TO: Members of the Senate Select Committee on Health Care Reform

FROM: Bill Bazan, V.P. Metro Milwaukee, WHA

RE: Health Care Challenges in Southeastern Wisconsin

The purpose of my testimony today is to present an overview of the health care challenges in southeastern Wisconsin and the manner in which our health care systems are attempting to meet those challenges. In many cases our health care systems are partnering with other organizations, both public and private. In other cases we are going it alone. Given the low rate of Medicaid reimbursement (currently at about 49 cents for each dollar of costs) and the growing number of uninsured and underinsured, the challenges are daunting.

**The Milwaukee County General Assistance Program (GAMP):** From GAMP's beginnings in 1996-97, our hospitals have partnered with Milwaukee County and the State in providing true safety net coverage and services for nearly 28,000 residents of the county annually. GAMP is not an entitlement program...the money is the money! In order to keep GAMP operating for some of the most needy residents of the county, our health care systems are partnering with the county both in terms of financial assistance ($5.5 M donation over two years to help the county with establishing two 8 bed respite care units and a crisis center for residents with mental illnesses) and in providing health care services to GAMP patients for nearly six months each year without reimbursement at all. This is to ensure that primary care clinics, pharmacies and specialty physicians are reimbursed throughout the year.

**The lack of primary care capacity in Milwaukee County:** GAMP, Medicaid and uninsured patients have tremendous challenges in finding a primary care home in Milwaukee County. Instead, they look to hospital emergency departments as their primary care provider. Not only does this cause profound backups in the emergency department, it also puts a strain on those patients who truly have emergent care needs. The health care systems of Milwaukee County have formed three years ago a Primary Care Alliance that includes these systems as well as the 4 Federally Qualified Health Centers in the county. The Alliance's purpose is to increase primary care capacity for the most needy of the county's residents. With assistance from the health systems, two new clinics will open up, one on the south side (16th Street Community Health Center) and one on the north side (Milwaukee Health Services). In addition, some of our health systems are assisting clinics operationally (Westside Health Care and Family House to name two such clinics).



5510 Research Park Drive P.O. Box 259038 Madison, WI 53725-9038 P (608.274.1820) F (608.274.8554) wha.org

**Meeting the oral health/dental crisis in Milwaukee County:** Madre Angela Dental Clinic serves 1400 dental encounters per month for uninsured, GAMP and Medicaid patients. The dental clinic grew out of a joint venture between Columbia St. Mary's, Covenant, and Aurora health systems who are committed to providing dental services to those most in need who cannot find a dentist. In addition, Madre Angela is working with the Milwaukee Public School system in providing dental sealants and oral health examinations to school children. Over 5,000 children have been served. In addition to financial support, the health systems are also providing human resource support in terms of volunteers and grant writing.

**Medical care for Katrina evacuees:** In the fall of 2005, nearly 1000 evacuees, men, women and children, came to Milwaukee because of the devastation to the Gulf Coast due to hurricane Katrina. All hospitals in southeastern Wisconsin stepped to the plate to assist in the medical care of the evacuees. Medical supplies, pharmaceuticals, prescription drug services, specialty physician services, primary care and in-patient services were provided IMMEDIATELY AS NEEDED without questioning whether or not these services would be reimbursed. One hospital even made their transportation vans available to help evacuees get to the hospital and to specialty physician appointments.

While it is often easy to point fingers and blame agencies and organizations during challenging times, it is also important to recognize the positive effects that are going on. Our Wisconsin Hospitals have strong ties to their respective communities and provide community services that often go unrecognized. When communities work together in partnership, needs are met and problems get solved. It is the hope of the Wisconsin Hospital Association and its member hospitals and health care systems, that all sectors of society recognize the need to work together on issues that effect us all.

**Wisconsin Hospital Association Statement**
**Prepared for the Senate Select Committee on Health Care Reform**

Tuesday, April 11, 2006
Milwaukee, Wisconsin


The Wisconsin Hospital Association's statement covers three specific topics that are the focus of this hearing:

1) Observations about the **Government Accounting Office (GAO) report**—GAO-05-856;
2) Concerns about the **unique and problematic characteristics of the health care environment in southeastern Wisconsin**, especially Milwaukee; and
3) Our recommendations regarding current and future health care reform initiatives that can be fostered **via a bold and proactive transparency agenda**.

## 1) GAO Report 05-856

Our first observation is that this report has been widely discussed without actually being widely read by many pundits. The report's focus on physician and hospital *prices*, as opposed to *actual health care costs*, has created a hugely **misleading** snapshot of overall Wisconsin health care *spending*.

This GAO report places heavy emphasis on physician and hospital prices and compares Wisconsin metropolitan areas with metropolitan areas across the nation, drawing the reader to conclude that something is amiss in the Badger State. But a reader who analyzes the entire report comes to a far different conclusion about Wisconsin health care costs, using the GAO's own analysis. Specifically, well into the document, GAO staff note that **provider prices have only a marginal impact on actual spending**. And unless one factors in the volume of services consumed, there is an incomplete picture of dollars being spent on total health care services. Another way to look at it is, five widgets purchased at $5 ($25) are less expensive than seven widgets purchased at $4 ($28), even though the price of the individual widget may be less. Indeed, the GAO itself states that only about one-third of total cost differences are the result of unit prices.

We noted last year that the GAO report, using five-year-old data, concluded that the La Crosse metropolitan area is the "priciest" in the nation. But the GAO's own chart (page 65) tells a far different story. **When the focus is on actual spending, *no* Wisconsin metropolitan area is found among the top 20 highest spending areas in the nation.** The report does conclude that spending by the FEHP in the Milwaukee/Waukesha metropolitan area is about 11 percent higher than the national average. But that's a far cry from media and pundit speculation.

Also of note, the GAO used national preferred-provider organizations bidding on *small numbers* of employees in each local market. Many businesses located in these markets are able to obtain larger discounts because of the greater volume of employees they can deliver to a local provider. This is another methodological issue that needs to be understood in examining the report.



5510 Research Park Drive P.O. Box 259038 Madison, WI 53725-9038 P (608.274.1820) F (608.274.8554) wha.org

## Medicaid Cost Shifting Not Considered

We also know that the GAO report is seriously **flawed** in that it fails to account for ongoing and worsening hospital and physician cost-shifting due to **Medicaid underpayment**. We know that Wisconsin Medicaid payments are among the very worst in the country, paying providers pennies on the dollar for actual costs incurred caring for patients. This "hidden tax" is a significant cost driver that is not accounted for in the *GAO Study*.

From 1997 to 2005...just eight short years...Wisconsin Medicaid hospital reimbursement dropped dramatically from 82 percent of cost to 49 percent. **Government's role in health care reform should begin with paying the cost of its own program.**

The Medicaid cost-shifting issue is particularly severe in the **greater Milwaukee community** where a **handful of hospitals care for close to 40 percent of the state's total Medicaid population**. While the average Wisconsin hospital has about 10 percent of its patient base paid for by Medicaid, the Milwaukee average approaches 30 percent, and for two hospitals exceeds 40 percent! Cost shifting is a huge factor in hospital and physician pricing and its absence in the GAO report is a major public policy shortfall.

## Here's the Real Story

Here are two examples of more current and comprehensive data that tell a much different story about health care **charges and spending** in Wisconsin. The conclusion: employers in many Wisconsin metropolitan areas are charged *less* than counterparts in the rest of the nation. And Wisconsin is a veritable *bargain* for the federal government when it comes to Medicare spending on Medicare beneficiaries.

**2004 Estimated Medical Charges – Full Commercial Population (not just federal employees)**

| Metro Area | Per Member Per Month Billed Charges |
|---|---|
| National Average | $403.01 |
| Green Bay | $338.96 |
| Wausau | $340.93 |
| Appleton – Oshkosh – Neenah | $351.63 |
| Eau Claire | $371.90 |
| Janesville-Beloit | $383.32 |
| Sheboygan | $386.83 |
| Racine | $396.45 |
| La Crosse | $403.09 |
| Madison | $407.40 |
| Milwaukee – Waukesha | $449.64 |
| Chicago | $467.18 |

Source: Milliman USA – based on actual 2004 data

**Medicare Spending Per Beneficiary – 2004**

| Location | Total Annual Medicare Payments |
|---|---|
| USA | $6,611 |
| Wisconsin Total | $5,407 |
| Appleton | $4,364 |
| Green Bay | $4,819 |
| La Crosse | $4,444 |
| Madison | $5,213 |
| Marshfield | $5,779 |
| Milwaukee | $5,995 |
| Neenah | $4,974 |
| Wausau | $5,150 |

## 2) Unique and Problematic Characteristics of Health Care Environment in Southeastern Wisconsin

There should be no debate over the fact that access to primary health care services in the Greater Milwaukee Area is in a state of profound crisis. And like education in Milwaukee's public school system, this must be acknowledged as an issue of *statewide significance*. The time has come to shine a bright spotlight on the specifics of this crisis and the fact that identification of solutions must be a statewide public policy priority that requires engagement by the Doyle Administration and by the Wisconsin Legislature.

Considering the following:

- ✓ In Milwaukee, the hospital emergency room has become the venue for primary care, including dental care, for a large and growing number of medically indigent patients who have no primary care home.

- ✓ Milwaukee's four Federally Qualified Health Centers (FQHCs) are "bursting at the seams" and regularly refer patients to hospital ERs. One clinic alone refers 60 patients per day, five days per week.

- ✓ **Bad debt and charity care** numbers now **exceed $160 million** for the nine Milwaukee metropolitan area hospitals serving this population.

- ✓ Just a handful of Milwaukee hospitals and Racine's sole hospital system absorb almost 40 percent of total annual statewide hospital Medicaid losses (approximately **$200 million!**).

The symptoms associated with this access crisis are many—and include infant mortality rates that are among the worst in the nation and untreated chronic disease conditions that become expensive inpatient admissions. **Additionally, the ability of a handful of disproportionally burdened hospitals to manage the uncompensated care burden is not sustainable.**

Minimally, fixing this crisis will require targeted new state funding that focuses on at least two initiatives—**expansion of additional primary care infrastructure**...and...**enhanced Medicaid DSH funding for hospitals that have become *de facto* "safety net" providers of primary care services**.

### 3) WHA Health Care Reform Recommendations

Here are a few thoughts regarding potential initiatives that can improve access and coverage, and moderate health care costs.

#### Transparency

Wisconsin is a recognized national leader in the emergence of private sector initiatives that provide relevant quality performance data in an increasingly consumer-driven health care environment. The Wisconsin Hospital Association's **CheckPoint** and **PricePoint** initiatives and the **Wisconsin Collaborative for Healthcare Quality's** health care performance reporting initiative are so well respected nationally (see "Ahead of the Pack" article in November 2005 *Hospitals & Health Networks* magazine) that they are being discussed and replicated by organizations throughout the country. Importantly, quality, safety and pricing information being reported today represents only the beginning of a much larger menu of measures anticipated over the next several years.

The Wisconsin Legislature's recent enactment of the Wisconsin Health Information Organization (WHIO) is another promising development that will likely provide additional information that can be used to advance the larger transparency agenda.

There is agreement by virtually all stakeholders in the health delivery and financing environment that measuring and reporting will lead to greater efficiencies and improvements in patient outcomes. These developments will have a significant impact on lowering health care inflation and WHA is strongly committed to a bold and proactive transparency agenda. We look forward to working with the Wisconsin Legislature to advance that agenda with all due speed. We firmly believe that **transparency is the cornerstone of health care reform** and a key ingredient in achieving a moderation in health care cost inflation.

Additionally, there are a variety of other legislative/regulatory approaches that might be examined to advance access and affordability...the desired outcome of health care reform. Those ideas include:

- ✓ Governor Doyle's **BadgerCare Plus initiative** is a promising proposal that represents a commitment to expand coverage to uninsured children. The initiative suggests the creation of a single health care safety net program accomplished by merging the family Medicaid, BadgerCare and Healthy Start programs. Projected administrative savings combined with predicted efficiencies associated with enrollment in HMOs could largely finance an expansion of families eligible for coverage under the program to 200% of the federal poverty level.

- ✓ Additionally, the Governor's **Healthy Wisconsin program initiative** also deserves additional study and discussion. The initiative suggests charging a working group with exploring the creation of a reinsurance program for small businesses and individuals that

would be designed to cover catastrophic health care costs. Such a program in the State of New York has proven to be highly successful. There are, however, questions to ponder and discuss before this initiative is ready for implementation, but the notion of looking at specific models already working in other states like New York deserves our strong support.

- ✓ The State of Wisconsin must recognize **income tax deductibility of Health Savings Account contributions**. HSAs may not be the entire solution to access and coverage issues, but they represent a real opportunity, especially for individuals and small groups. Our own association's experiment with an HSA has proven to be hugely successful and welcomed by our employees and their families.


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# Wisconsin Medical Society

Your Doctor. Your Health.

TO: Members, Senate Select Committee on Health Care Reform
Senators Alberta Darling and Carol Roessler, co-chairs

FROM: George M. Lange, MD, FACP

DATE: April 11, 2006

RE: Health Care Costs, Quality and Access

On behalf of more than 11,000 members statewide, thank you for this opportunity to share the Wisconsin Medical Society's thoughts regarding an issue so vital to every Wisconsin citizen: the rising costs of health care. We appreciate you holding this hearing, and hope it is just the first of many collaborations where physicians can work with our health policy leaders in finding ways to provide our state's citizens with the highest quality health care at the most affordable cost.

Joining me this morning is Cindy Helstad, PhD, RN, who has both broad and deep knowledge about the Society's efforts in health care policy. Please feel free to ask either of us any questions following these brief comments.

**General Accountability Office Report 05-856**

Attached to this testimony you will find Society EVP/CEO Doctor Susan Turney's testimony to the House Ways and Means' Health Subcommittee regarding the Society's concerns about the GAO's methodology and subsequent findings. While the Society continues to have questions regarding the report's accuracy, we want to emphasize that we believe that growth in health care costs is a critical topic in need of discussion and action. Higher costs often means less access to care, which in the long run means Wisconsin's citizens are less healthy than they could be.

**Wisconsin Medical Society Efforts On Cost, Quality and Access**

In the last two years, the Society has developed a strategic plan focused on health care cost, quality and access, the three main tenets of our 2003 plan for Health System Reform. I would like to highlight a few of the initiatives we have undertaken.

1. **Wisconsin Health Information Organization (WHIO)**

   The Society is a founding member of the Wisconsin Health Information Organization, or WHIO. WHIO can help us begin talking the same language by pooling claims data across the delivery system. Rather than getting hung up on charges, costs, payments and discounts, we can begin looking at utilization of services across an episode of care for the same diagnosis. Where variation exists, we can help drive down costs by reforming what is utilized.

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Historically, the Society has not been at the table to offer solutions affecting unnecessary utilization. That has changed. We are committed to being part of the information-gathering solution rather than simply criticizing others' proposals.

What can the Government do to help our WHIO effort?

- Support data collection from insurance companies, including Medicaid and Medicare data, for the WHIO initiative.

- Help align financing and payment incentives to prevent illness.

**2. Wisconsin Health Plan**

Over the past year, we have had continued discussions with David Riemer and Representatives Curt Gielow and Jon Richards about the Wisconsin Health Plan. The Society has been a leader in bringing people together to discuss their health reform proposals. The November 2005 issue of the *Wisconsin Medical Journal* provided information on federal, state, and local health care reform proposals. In addition to working toward finding a health system reform proposal that would decrease the number of uninsured and have acceptability by the public, we have also been developing a basic set of health care benefits that would be standard for all Wisconsin residents.

What can the Government do to help with the Society's work on general reform?

- Help us determine if it is politically feasible to take a hard-nosed position about limiting the availability of care in order for more people to have access to health care.

- Support public-private market-driven solutions rather than regulatory ones. We strongly maintain that any plans based on defined contributions, reduced benefit, or medical savings accounts must be coupled with programs that promote and reward appropriate utilization of preventive care, early intervention and appropriate chronic disease management.

**3. Society Annual Meeting – Efficiency Proposal**

The Society is a policy-driven organization. Every year at our annual meeting ideas are brought forward related to health care policy and a House of Delegates votes on the idea. This year's annual meeting – held just this past weekend in Madison – saw Late Resolution 16 come before the House. That resolution, also attached to this testimony, points out a chronic problem in the everyday practice of medicine that slows down efficiency and creates problems for both physicians and their patients.

Different insurance plans have different pharmaceutical formularies, which often change over short periods of time. Keeping track of which drugs are a part of each patient's insurance plan is an administrative headache, and makes it difficult for physicians to help control costs in this area. If the Government could collaborate with physicians, pharmacists and insurance companies in this area, a solution might be found. Our resolution calls for formularies to be available and updated online.

This is just one example of what physicians think about when considering ways to better the health care delivery system.

**What Government Can Do Generally**

As the Society resolution on formularies shows, Government does have a potential role in addressing cost, quality and access concerns. The Society believes this power should be used to inspire better public-private communication on how to improve the health care system. WHIO is another fine example – collaboration likely yields better outcomes versus mandates.

The State should resist the temptation to regulate our way out of this problem; instead, the State should use this hearing as an example of a better way to go about finding solutions: gather as many collaborators as possible to discern information that advances understanding about controlling costs and improving quality, then move forward on those ideas.

Again, thank you for this opportunity to provide our thoughts.


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**Testimony**
**of**
**David R. Riemer, Project Director, Wisconsin Health Project**
**April 11, 2006**
**Senate Committee on Health Care Reform**

Good morning and thank you to the chairs and committee for focusing on Wisconsin's health care crisis, and in particular the issues of cost, quality and access.

The current health care system has a harmful economic effect on wages, profits, job creation and new investment in Wisconsin; imposes a devastating financial, physical, and emotional burden on our uninsured and underinsured families; and has a debilitating impact on our state budget;

As you may be aware, we have been focusing on exactly these issues at the Wisconsin Health Project for the past 18 months. I wanted to use this opportunity to make the committee aware of our analysis of the problems in the current health care delivery system, and our suggested solutions.

Wisconsin currently faces a triple crisis in health care: the skyrocketing cost of health care, increasing numbers of uninsured, and a severe deficit in the state's Medicaid program.

Our current health care system is already "universal" – in the sense that people generally get care when they enter our hospitals and clinics. The problem is that it is a chaotic, irrational, and excessively costly system.

Because over half a million Wisconsinites lack insurance or are underinsured, thousands inevitably fail to receive the health care they need in a timely manner. Some die; others end up far sicker than they should be; and when the uninsured finally obtain care, the costs—largely passed on to the rest of us—are far higher than necessary. Meanwhile, the great majority who have insurance often do not take advantage of cost-effective preventive care, do not use the most appropriate care, and overuse high-cost emergency care.

On the cost side, our health care system is riddled with perverse incentives. Individuals often have little economic incentive to seek out the best care at the lowest cost...and so they don't. The way many businesses and governments buy insurance creates little economic incentive for providers to compete to lower cost or improve quality...and so they don't. The result: a system that violates the most basic law of economics by failing to allocate our resources efficiently to the lowest-cost and highest-quality providers of both insurance and health care itself.

And, who foots the bill for this inefficient health care system? Every insuring business and government. The substantial costs of caring for the uninsured and the even greater costs arising from a system that's riddled by perverse incentives and that ignores the basic rules of economics are relentlessly shifted to those firms and governments that agree to pay for insurance. The wages, profits, and investments of such firms all shrink—and our property taxes are pushed up– as a result.

The Wisconsin Health Plan – AB 1140 – would help create a private health insurance market that functions in a far more logical, much fairer, and less costly manner.

AB 1140 is co-authored by a bi-partisan team from the State Assembly – Representatives Curt Gielow and Jon Richards. The bill is the product of literally hundreds meetings with interested individuals over the past year. We have worked with business, labor, faith, farmer, advocacy and other groups to get their feedback and suggestions on the proposal and continually work to improve the legislation.

The three goals of AB 1140 are:

- To provide all Wisconsin residents with a basic level of high-quality health care coverage;

- To maintain people's ability to choose coverage from a menu of care plans and providers -- including their current physician—in a manner that leaves in place our first-rate system of health care providers
- To create an effective purchasing pool and incorporate "consumer driven" incentives so as to reduce and stabilize the future growth of health care costs, promote health care quality, and thus lower the cost of doing business in Wisconsin

Allow me to quickly highlight the key details of the plan:

- The plan covers all Wisconsin residents less than 65 years of age, with a few exceptions.
- All adults (ages 18-64) receive a Health Savings Account (HSA), funded at $500 each year.
- All eligible Wisconsin residents receive a "Premium Credit," which they use to purchase health insurance from competing, qualifying health insurance plans.
- The Premium Credit pays for a benefit package that covers medical care, hospital care, and prescription drugs.
- Basic preventive care (including dental care for children) is covered free-of-charge.
- The benefit package has a deductible of $100 for children and $1,200 for adults, and 15% co-insurance up to an out-of-pocket maximum of $500 for children, $2,000 for adults, and $3,000 for families.
- The Plan is administered by a private, non-profit corporation with a Board of Directors modeled after the advisory committees that oversee the long-standing and successful Unemployment Compensation and Workers Compensation programs.
- Any insurer licensed to sell health insurance in Wisconsin can compete to provide insurance coverage.
- Just like the successful state employee health plan, the competing insurer plans would be placed into three "tiers" based on risk-adjusted cost and quality measures. Plans designated "Tier 1" insurers would be those which provide health insurance at the lowest cost and of the highest quality.
- Participants who choose Tier 1 plans enroll for the "value" of the Premium Credit and pay no additional cost. Participants who opt for higher-cost plans ("Tier 2" or "Tier 3") are required to pay the extra cost in monthly premium payments.

Those are the basics. I believe this structure will help to contain health care costs because of the three strong consumer incentives that are in the system.

First, is the incentive to choose Tier 1 Plans There is a powerful incentive for participants to choose the Tier 1 (no premium cost) plans, and therefore to the insurers to become Tier 1 plans, and for providers to be associated with those plans -- by controlling their health care costs.

The second incentive is encouraging consumers to use care appropriately. We provide cost-effective preventive care free-of-charge. We have a combination of deductibles and co-insurance in place to discourage unnecessary care and encourage consumers to shop for the best price.

The final set of incentives are meant to encourage people to maintain a healthy lifestyle. We want to reward those who are making healthy lifestyle choices by making a larger contribution to their health savings account. Likewise, we want to reward employers who have accredited wellness programs in their workplace.

AB 1140 is not a final product but, rather, a work in progress. The major unresolved issue is reaching agreement on the financing mechanism to pay for the program. The bill draft is silent on this issue, though we have been using an employer/employee assessment proposal as a starting point for discussion.

The authors chose to leave this important and unavoidable issue out of the bill at this point, so that the debate about the legislation can focus the merits of the new health care insurance system

proposed. We will continue to meet with all interested parties until we achieve consensus on a financing arrangement is fair, simple, and reasonable.

I will close by saying that we specifically crafted our proposal to be a compromise. Too often, health care reform has stalled because we have let the perfect get in the way of achieving the very good – people hold out for their ideal plan, rather than trying to seek compromise. Perhaps AB 1140 is not anyone's first choice for a solution, but regardless of your perspective, we hope it will be viewed as a reasonable approach with enough to like – even if there are parts you don't like.

I thank you for your time and attention today, and encourage you to work with us, share concerns, ask questions, and offer suggestions to further improve the proposal.

Thank you.


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Statement of U.S. Rep. Paul Ryan for the Wisconsin Senate
Select Committee on Health Care Reform
**April 11, 2006**

As this committee looks at health care reform, you may find it helpful to review the findings of the report issued last fall by the U.S. Government Accountability Office (GAO) that examined health care prices and spending around the country and assessed factors that could explain why prices in areas such as Wisconsin are higher than in other places.

I requested the GAO report more than three years ago along with Milwaukee Mayor Tom Barrett, who was then serving in the U.S. House of Representatives, because we wanted to find out why Milwaukee and Southeastern Wisconsin were paying more for health care than comparable cities and markets in other parts of the country.

In response, the GAO compared hospital prices, physician prices, and health care spending across metropolitan areas nationwide using medical claims data from enrollees in the Federal Employees Health Benefits Program (FEHBP) – the nation's largest health care plan.

As part of its analysis, the GAO ranked 232 areas around the nation by hospital prices and 319 areas by physician prices, confirming that health care prices in Wisconsin communities are high relative to other areas examined in the study. For example, the Milwaukee-Waukesha area ranked fifth highest by adjusted hospital prices, and eight of the ten metropolitan areas with the highest physician prices were located in Wisconsin.

The GAO assessed a variety of factors that could contribute to higher prices in certain areas, and it concluded that areas where there was less competition among hospitals and less HMO capitation (indicative of less price-bargaining leverage) had higher prices, on average. Significantly, the GAO found no evidence of cost shifting. According to the study, FEHBP preferred provider organizations did not pay higher prices in areas with a higher percentage of Medicaid or Medicare beneficiaries, a larger uninsured population, or lower Medicaid payments.

The U.S. House Ways and Means Subcommittee on Health held a field hearing in Oak Creek, Wisconsin this past December to take a closer look at the GAO's findings and talk with health care representatives and experts in our area about what drives higher prices and what can be done to address this problem.

Throughout the course of the hearing, one issue that received a great deal of attention and discussion was the importance of price transparency – in other words, making sure that the public has access to accurate price and quality data for the medical treatments and procedures that doctors and hospitals provide. Patients need to know this information so they can make informed decisions about their health care and get top quality care, while lowering their costs at the same time. Making more complete, reliable information available will boost patients' bargaining power and promote healthy competition within the medical community.

According to the GAO's report, areas with less competition and less price-bargaining leverage had higher prices. In order to address Wisconsin's health care cost crisis, we must pursue more competitive, consumer-based health care, where patients have the information, the resources, and the bargaining power they need.

For more information, I invite you to read my opening statement from the Ways and Means subcommittee hearing as well as the actual GAO report, which is available on my website at www.house.gov/ryan.

# Committee on Ways and Means

## *Subcommittee on Health*

For Immediate Release
December 2, 2005

Contact: Press Office
(202) 225-8933

## Opening Statement of Rep. Paul Ryan (R-WI)

*Field Hearing on Competition in the FEHB Program*

(As Prepared for Delivery)

I'd like to start by thanking Chairwoman Johnson for honoring my request to hold this hearing in Oak Creek today. I think it's important that we bring the federal government back into our districts so that lawmakers can learn from experts in the field with real life experiences and a vast fund of practical knowledge.

This hearing is significant to the ongoing debate over the state of health care in the United States and holds a special significance for Wisconsin patients who bear the burden of particularly high prices, according to the findings of the U.S. Government Accountability Office (GAO). With health costs expected to increase 7.3 percent in 2005, Americans are paying too much for their health care. As we continue to move forward with this process, it is vital that we closely examine the underlying reasons for such dramatic increases in health care costs and prices throughout the country.

The origin for this hearing dates back to May 9, 2002, when I, along with Milwaukee Mayor Tom Barrett, who was serving in the United States House of Representatives at the time, asked the GAO to investigate why Milwaukee and Southeastern Wisconsin pay more for health care than comparable cities and markets elsewhere in the country. We made this request after a consulting group, Mercer, Inc., found that large employers' health care costs in the Milwaukee area were about 55 percent greater than in the rest of the Midwest.

In response to this request, the GAO issued an interim report in August of 2004 that compared Milwaukee health care spending per enrollee, hospital inpatient prices, and physician prices with similar metropolitan areas throughout the country. GAO was able to confirm that health care spending and prices in Milwaukee were high relative to the averages for the other metropolitan statistical areas (MSAs) in the study. Specifically, GAO found that health care spending in Milwaukee was about 27 percent higher than the average across all of the MSAs, hospital inpatient prices were 63 percent higher, and physician prices were 33 percent higher.

Then, in August of 2005, the GAO released its final report, which focused on the broad variation in hospital and physician prices and spending in metropolitan areas throughout the United States. This study tells us what most Wisconsinites have known for many years: we pay too much for health care relative to the rest of the country. Specifically, the Milwaukee-Waukesha area ranked fifth highest by adjusted hospital prices, with hospital prices about 57 percent above the national average. Also, the LaCrosse, Wisconsin-Minnesota area ranked tenth in the same category, with prices nearly 39 percent above the national average.

Most troubling, metropolitan areas in Wisconsin had physician prices ranked among the highest in the study. Of the ten metropolitan areas with the highest physician prices, eight were located in Wisconsin. The GAO found physician prices were highest in the La Crosse WI-MN area, with prices 48 percent

- more -

above the national average. In addition, Sheboygan ranked 11th, Milwaukee-Waukesha ranked 16th, and Kenosha ranked 18th highest by physician price.

The GAO assessed many factors that could contribute to the geographic differences in hospital and physician prices, but overall, it found that metropolitan areas where there were less competition among hospitals and less HMO capitation (indicative of less price-bargaining leverage) had higher prices.

While my primary focus is Wisconsin, this GAO report illustrates a clear point across the nation: less competition means higher prices for consumers. Furthermore, there are areas of the country that pay more for health care because consumers lack leverage and providers face little competition. This highlights how great the need is for more competitive, consumer-based health care, where patients have the information and the bargaining power they need to make informed health care decisions and get quality care while lowering their costs.

Slowly, we have been introducing competition into our health care system with products such as Health Savings Accounts (HSAs). HSAs, which were created in the Medicare Prescription Drug, Modernization, and Improvement Act of 2003 (MMA), are an important step towards giving employers and individuals more opportunities to manage their health care needs. Since their creation, well over one million people have taken advantage of HSAs, and those people are now able to control their own health care dollars and manage their health care needs.

Furthermore, competition is a key component of the Medicare Prescription Drug Benefit. Specifically, Medicare Advantage (MA) changes include increased payment rates, a competition program in 2006, the addition of regional plans beginning in 2006, and a six-year comparative cost adjustment program in 2010 that enhances competition between MA plans and requires traditional Medicare to compete with MA plans. By moving plans into a bidding structure, costs to beneficiaries will ultimately be reduced and providers will be encouraged to continue lowering prices. I look forward to working with my colleagues on the Ways and Means Committee to find more ways to introduce more competition in Medicare.

In the end, I strongly believe that price transparency is a key element to bringing down the cost of quality health care. Health care providers must concentrate on publishing price and quality data that allows patients to make better-informed decisions about the health care they receive. Through price transparency, we will promote healthy competition within the medical community, which will ultimately lead to better quality health care for patients.

I look forward to hearing the testimony of our distinguished witnesses and I hope we move forward with an honest and open dialogue about how we can best address skyrocketing health care costs in Wisconsin and the rest of the country.

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# WISCONSIN LEGISLATURE

**P. O. Box 7882 Madison, WI 53707-7882**


## FOR IMMEDIATE RELEASE


For More Information, Contact:
Senator Alberta Darling
Senator Carol Roessler


April 12, 2006
(608) 266-5830
(608) 266-5300

## STATE SENATE PANEL HEARS TESTIMONY ON HEALTH CARE COSTS

**MILWAUKEE . . .** State Senators serving on a health care reform panel heard hours of testimony on the issue of rising health care costs in Southeastern Wisconsin. The first meeting of the Senate Select Committee on Health Care Reform was described as "an important first step" by committee co-chair Sen. Alberta Darling (R-River Hills).

"The ideal health care climate is one which allows the maximum number of people to have access to quality, affordable private coverage," said Darling. "One clear message delivered today is that consumers can drive efficiencies in the system when they have the ability and incentive to take ownership of their health care needs."

"Providing incentives for wellness programs was raised as a way to get businesses engaged in their employees health care before they get sick," said committee co-chair Sen. Carol Roessler (R-Oshkosh). "Some companies have realized cost savings by providing on-site access to a nurse, dietician, disease management services and health screenings. Asking employees to take responsibility and help manage health care costs, while providing them with the tools they need, seems to be a key factor in successfully holding down costs."

Darling pointed to the recently enacted Wisconsin Act 228 as one advance in reforming the health care market. The law will lead to a greater level of accessible provider price and quality information for health care consumers.

"It was noted several times throughout the hearing that Wisconsin is at the forefront nationally in regard to price transparency and quality efforts," stated Roessler. As these efforts advance, the Committee will to work with key healthcare and business leaders to address any barriers that may arise and to ensure continued state support."

Speakers also expressed concern over the cost-shifting borne by the private sector due to low rates of Medicaid reimbursement and care for the uninsured. Darling said the committee will continue to focus on initiatives in both private and public health care coverage in the months ahead.

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# WISCONSIN LEGISLATIVE COUNCIL

*Terry C. Anderson, Director*
*Laura D. Rose, Deputy Director*

TO: SENATORS CAROL ROESSLER AND ALBERTA DARLING, COCHAIRPERSONS, SENATE SELECT COMMITTEE ON HEALTH CARE REFORM

FROM: Richard Sweet, Senior Staff Attorney

RE: Summary of Suggestions Made at the Committee's Hearing on April 11, 2006

DATE: April 17, 2006

The following is a summary of suggestions that were made by persons who testified at the April 11, 2006 meeting of the Senate Select Committee on Health Care Reform in Milwaukee:

- Provide greater transparency of health care cost and quality information. Employers need to be more aggressive in seeking this information.

- Support the initiative to expand BadgerCare to cover all uninsured children in Wisconsin.

- Provide incentives for persons to use consumer-driven health insurance options such as health savings accounts (HSAs). Provide for federalization of the tax treatment of HSAs. Provide HSAs as an option for state employees to choose.

- Support the creation of the Wisconsin Health Plan, as set forth in 2005 Assembly Bill 1140, coauthored by Representatives Curt Gielow and Jon Richards.

- Provide on-line access to prescription drug formularies offered by various health plans, which are up-to-date and easy to navigate.

- If a health plan denies coverage for a particular prescription drug, require that formulary deviation request forms and the list of formulary alternatives be available both on-line and faxed to the office of the prescribing physician. Forms faxed to the physician's office should contain all the patient information, insurance identification numbers, claim number, and other relevant patient information that the insurance company needs so that the physician and staff can easily determine the alternative medication and dosage.

- Offer more disease management programs for chronic diseases.

One East Main Street, Suite 401 • P.O. Box 2536 • Madison, WI 53701-2536
(608) 266-1304 • Fax: (608) 266-3830 • Email: leg.council@legis.state.wi.us
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- Provide more incentives and disincentives in public employee health plans to encourage public employees to choose lower cost, higher quality providers.
- Create a state catastrophic coverage (reinsurance) pool.
- Promote healthy lifestyle changes.
- Reduce cost shifting that occurs because of Medical Assistance underpayments.
- Reward appropriate utilization of preventive care.

Feel free to contact me if I can be of further assistance.

RNS:wu:tlu


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**Stegall, Jennifer**

**Subject:** FW: ETF questions

**From:** Sweet, Richard
**Sent:** Friday, April 14, 2006 11:24 AM
**To:** Roessler, Carol; Darling, Alberta
**Cc:** Rose, Laura; Stegall, Jennifer; Volz, David
**Subject:** ETF questions

Carol:

When we met last week in your office, you asked a couple of questions regarding state employee health insurance. I've had a chance to speak with Tom Korpady of ETF about the questions and wanted to get back to you.

1. Could the state offer a 2-person family option in addition to just single and family coverage?

This could be done, but would require a statutory change.

However, Tom indicated that offering a 2-person family option would cost the state more than it currently pays. He said that ETF studied 2-person and other families a few years ago and found that a lot of 2-person families are older empty-nesters. Therefore, they are at least as expensive as, and maybe slightly more expensive than, other families. If 2-person family premiums were priced lower than other family premiums, the other families would be subsidizing the 2-person families. Since the state pays a large share of employee health benefits, the state would be paying more for the other families, but wouldn't see a lot of savings from lower 2-person family premiums since many of the 2-person families are retirees for whom the state doesn't share the premium costs.

2. Can 2 spouses who are state employees each sign up for state health insurance?

According to Tom, if they have no dependents, they can both sign up for single coverage, which is cheaper (for the state and the employees) than family coverage. However, if one spouse opts for family coverage, the other spouse is precluded from signing up for either single or family coverage. This policy of not allowing the other spouse to also sign up for coverage was challenged by a state employee as discrimination based on marital status, but the courts have upheld the policy.

*Dick Sweet*
Richard Sweet
Senior Staff Attorney
Wisconsin Legislative Council

(608)266-2982
richard.sweet@legis.state.wi.us


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(414) 276-2700 / FAX: (414) 276-7730

4-25-06

Senator Roessler,

I hope my testimony in Milwaukee April 11th was of value. If I can be of any service, please call.

Jon Rauser

APR 26 2006

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# THE RAUSER REVIEW

APRIL/MAY 2006 VOLUME 8, NUMBER 1

## A VIEW FROM THE CROW'S NEST

Markets ARE "Reforming" Health Care

Jon C. Rauser

*Last October a group of MMAC volunteers presented a two hour program on health care for COSBE Roundtable members. "There's A Whole Lot of Shakin' Going On," was designed to showcase how the private sector has responded to the health care* **COST** *crisis.*

Here are some highlights:

*Consumer Driven Health Plans - most notably HSAs - are being offered as options along with traditional insurance plans. Employers and employees alike gravitate toward the lower premium of* "qualified" *high deductible health plans. The opportunity to retain unused HSA dollars* **is**

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## UNIVERSAL UNDERWRITERS PARTNERS WITH THE RAUSER AGENCY

Universal Underwriters Group (UUG) is an Overland Park, Kansas based insurer founded in 1922 by a group of Universal Motor Car (Ford) dealers to provide property and casualty coverage for their then rapidly growing industry. Early in 2006, The Rauser Agency was selected to more efficiently distribute health insurance coverage to clients of Universal's 'automotive specialty markets' unit. Even with 1,900 employees and offices in 28 states, UUG recognizes markets for health insurance require *local* expertise and contracting. We are pleased our Agency has the resources, clout and experience to be of value to UUG. Beyond the obvious business growth for our respective companies, there will be opportunities to network with UUG's strategic partners from other states to share best practices. This should, in turn, add value to the service we bring to our existing clientele.

## 'BIG BROTHER' HEALTH CARE COMING SOON???

Several weeks ago Wisconsin Congressman Paul Ryan visited The Rauser Agency to discuss health insurance trends and in particular how the market was responding to sales of Health Savings Accounts (HSAs) paired with "qualified" high deductible health plans. Congressman Ryan has been an irrepressible advocate of HSAs. As an Agency we have used the higher deductible plans to reduce premiums, thus making coverage more affordable. For example, we helped one client increase the number of covered employees from 95 to 215 with only a modest increase in total premium - a great result that reflects national trends. Nearly two million Americans now have HSAs, and by the end of the decade it is estimated the total will grow to 18-20 million . . . that is, unless we go another direction.

No less than 30 states are considering legislation that would fundamentally change the financing of health care. The much publicized passage of 'A Plan' in Massachusetts (although a relatively benign law that mandates the purchase of insurance from private insurers) puts pressure on other states to "step up to the plate". In Wisconsin (see *Crow's Nest*), some are arguing for a far more sweeping measure that centralizes the regulation and funding - through a payroll tax - of health care.

*l/r Jon Rauser, Paul Ryan, Chris McArdle, Andrew Wadsworth at The Rauser Agency.*

Congressman Ryan and others speculate that the debate over who controls health care -- the government or private sector - will be decided within the next two years! Given the 'popularity' of insurers and public perceptions of business as usual, the private sector has some catching up to do.

*changing behavior. Insurer websites now have a wealth of information on prices of many medical procedures and prescription drugs. It is amazing to see the providers compete for patients as they become price sensitive. As an example, have you noticed the emergence of* 'Quick Clinics' *for routine care?*

*For those frustrated with premium increases from insurers reporting record profits, take comfort in the fact they insure a steadily shrinking market; self funded plans now cover 38% of Wisconsin's population, while only 27% are commercially insured (30% are publicly insured and 5% are uninsured). And for smaller businesses who shouldn't (even partially) self fund, say hello to Medical Mutual Insurance Company (expected to write small business coverage in Wisconsin beginning September 1). Or you could consider WPS Insurance Company, a not-for-profit carrier. Market forces bring us these choices.*

*Even for-profit insurers are working on new tools to "move the market." Take for example Humana's partnership with the Business Healthcare Group of Southeast Wisconsin (BHCGSW); enrolled members of this coalition now have full transparency of pricing for a select number of in-patient procedures. Even better, the providers within their "high performance network" compete on the basis of price and quality. On the horizon is a day when the fee for service payment system of today (that rewards providers for doing* **more**), *will be scrapped in favor of a "pay for performance" system that defines and prices episodes of care. Independent of insurers prodding, the Wisconsin Collaborative for Health Care Quality and the Wisconsin Health Information Organization, are two examples of the provider community working from within to improve quality and reduce cost.*

*Constrained by this space, I can only hint at the potential for savings we may yield by embracing electronic transmission of health records/claims/data/etc. Lastly, everyone is talking about the 30 - 40% of health care dollars spent on chronic conditions that are preventable if only we would take better care of ourselves:* "Wellness Works!"

*Could it be that all stakeholders in health care understand our health care costs are nearing the tipping point? We now spend $1.9 trillion, or 16% of the GDP on health care. As a society, we are conflicted over how to "fairly" pay that tab. Should* **everyone** *pay 16% of their income for some combination of premiums and out of pocket health expenses? Some pay more (GM, Milwaukee County, etc. etc.); many pay far less (small businesses and, many uninsured individuals). We should allow markets to settle this debate.*

*Another option is to centralize authority in Madison or Washington. Understand this: As the population of our country ages in tandem with the availability of expensive new health technologies (that we all want, of course), health care costs will inevitably go up. Obviously we cannot spend 100% of the GDP on health care, so somewhere between 16% and 100% we have to say "enough!" I hope* **you** *want to make those decisions. Or do you want to cede your health care decisions to government as they do in countries that ration care? Health care reform dialog that begins with a discussion of the uninsured, and those who don't pay their "fair share," is a smoke screen for delaying tough decisions about allocating care, something which the private sector does every day.*