

Wisconsin's
**Healthier
Choices**
For Affordable Health Care



*Wisconsin Association
of Health Plans*

WHA
WISCONSIN HOSPITAL
ASSOCIATION, INC.

WBC
REPRESENTING WISCONSIN BUSINESS™

What Wisconsin business, insurance, and health care leaders are saying about “*Healthier Choices*” and health care reform:

On Health Care Reform

“High state taxes, Wisconsin’s regulatory burden and rising health care costs have undermined job creation and retention. Finally, we have a legislature and a governor tackling all three issues.” — *Randall Knox, Vice President - Finance, W.D. Hoard & Sons Company and Chairman, WMC Board of Directors*

“Any meaningful health care reform must come from employers, insurers and providers working together. That’s what has been missing from the health care debate, until now. *Healthier Choices* brings many of these players to the table, together.” — *Steve Brenton, President, Wisconsin Hospital Association*

“Businesses need to aggressively manage their health care costs, but they need flexibility to provide the best benefits their employees need. The *Healthier Choices* plan gives employers and employees greater choices in health care coverage and will reduce costs. This plan gives businesses the tools they need.” — *James Haney, President, Wisconsin Manufacturers & Commerce*

On Health Benefit Mandates

“Mandated benefits are an unnecessary and expensive government intrusion into the buyer-seller relationship. By increasing costs, mandates have pushed thousands into the ranks of the uninsured.” — *Peter Farrow, General Manager & CEO, Group Health Cooperative of Eau Claire*

On Medicaid Cost-Shifting

“It’s essentially a hidden tax. When Medicaid does not pay hospitals and doctors even close to what it costs to provide care, those costs are shifted to employers — meaning higher health insurance premiums for our members. Government must start paying the cost of its health care programs because Wisconsin employers can no longer afford Medicaid’s hidden tax.” — *James Buchen, Vice President, Wisconsin Manufacturers & Commerce.*

On Health Care Quality and Information

“Providers realize that we need increased transparency about our performance and what we do so consumers can become more educated and take control of their health care decisions. Our goal is to create a better informed consumer and purchaser group within Wisconsin.” — *Terri Potter, President & CEO, Meriter Hospital, Madison*

On Regulation

“Wisconsin can swiftly reduce costs by eliminating duplicative regulatory requirements and further recognizing accepted benchmarks of quality. *Healthier Choices* includes regulatory reforms that will make health care more efficient and, ultimately, more affordable.” — *Nancy Wenzel, Executive Director, Wisconsin Association of Health Plans*

On the Health Care Workforce

“We can’t train health care workers fast enough to meet demand. These positions are waiting vacant, while individuals who are trying to improve their lives and contribute to the quality of others’ lives, are not being served.” — *Samuel Borden, President, Gateway Technical College, Kenosha*

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Wisconsin Association of Health Plans

The Wisconsin Association of Health Plans represents 20 HMOs caring for nearly 1.6 million people, including more than 346,000 Medicaid and BadgerCare recipients. Association members have improved quality and consumer satisfaction and expanded access to health care in our state. They are leaders in public accountability through data collection, analysis and reporting.

Wisconsin Hospital Association

The Wisconsin Hospital Association represents more than 130 hospitals and health care systems across the state. WHA's mission is to advocate for the ability of its community-based hospital members to provide high quality, accessible, and affordable health care services to Wisconsin communities.

Wisconsin Manufacturers & Commerce

WMC is a statewide, non-profit association representing Wisconsin businesses with its members employing approximately one-quarter of Wisconsin's workforce. WMC represents a broad cross-section of the state's economic activity, including both large and small manufacturers, service companies, local chambers of commerce and specialized trade associations. Promoting a healthy business climate since 1911, it is a merger of the Wisconsin Manufacturers Association, the State Chamber of Commerce and the Wisconsin Council of Safety.

Executive Summary

Wisconsin, along with the rest of the nation, faces an ongoing crisis in health care. In recent years, the cost of health care has increased at a rate of 11 percent or more. Driven by an aging population, medical advances, increased use of services and other factors, health care cost increases contribute to health insurance cost increases—to the point that commercial insurance coverage becomes unaffordable for increasing numbers of people.

The problem of increasing health care costs has no single cause; thus, it cannot be solved in a single act. Nor will it be resolved overnight. But a closer analysis reveals several significant opportunities for improvement, and everyone—health care providers and insurers, employers, consumers and state government—has a role to play.

While some would scrap our existing health care system in favor of a heavy-handed, one-size-fits-all government solution, this proposal is decidedly different. It will remove government barriers that stifle innovation and encourage more appropriate use of health care resources. The private sector—employers, providers and insurers—is taking the lead on health care reform, promoting new benefit designs and promising information initiatives that will have positive long-term effects on our health care delivery and financing system. This plan is founded on that private sector movement.

Initiating the cooperative effort needed for action, the Wisconsin Association of Health Plans, the Wisconsin Hospital Association and Wisconsin Manufacturers & Commerce together identified the key cost drivers of our health care system today and identified workable solutions. We've organized the solutions into six key areas, which are explained in more detail in this report:

- **Enable Affordable Coverage:** Increase the number of Wisconsin employers able to afford health care coverage by giving insurers flexibility in designing health insurance benefits that better meet employers' needs.
- **Promote Quality:** Encourage the continued development of a consumer-driven health care environment in Wisconsin. Promising collaborative efforts to collect and report information related to quality, safety and cost should continue among providers and health plans. The state should provide assistance to promote information sharing, to help employers and consumers understand publicly reported data and to encourage innovative quality and safety improvement efforts in the marketplace.
- **Repeal Hidden Tax:** Cut the "hidden tax" on purchasers of private health insurance by reforming the Health Insurance Risk Sharing Plan (HIRSP) and the Medicaid/BadgerCare Program and providing adequate government funding to cover the cost of providing care.
- **Grow Health Care Workforce:** Increase the supply of health care professionals in Wisconsin by restoring funding for Graduate Medical Education and make it easier for the University of Wisconsin System (UWS) and the Wisconsin Technical College System (WTCS) to streamline the process of graduating qualified health professionals. Direct the Department of Workforce Development (DWD) to issue an annual health care workforce report and make recommendations for improvement.
- **Cut Red Tape, Control Costs:** Eliminate unnecessary and duplicative government regulations to reduce costs and give purchasers, providers and payers greater flexibility in creating solutions to the problems identified in health care today.
- **Promote Healthier Choices:** Strengthen the role of consumers in the health care system today by providing information on health care quality and cost, promoting the use of advance directives, and encouraging better lifestyle choices that improve health status.

Enable Affordable Coverage

Goal

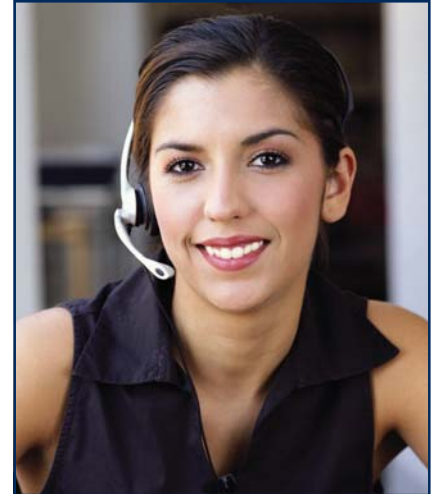
Increase the number of Wisconsin employers able to afford health care coverage by giving insurers flexibility in designing health insurance benefits that better meet employers' needs.

Background

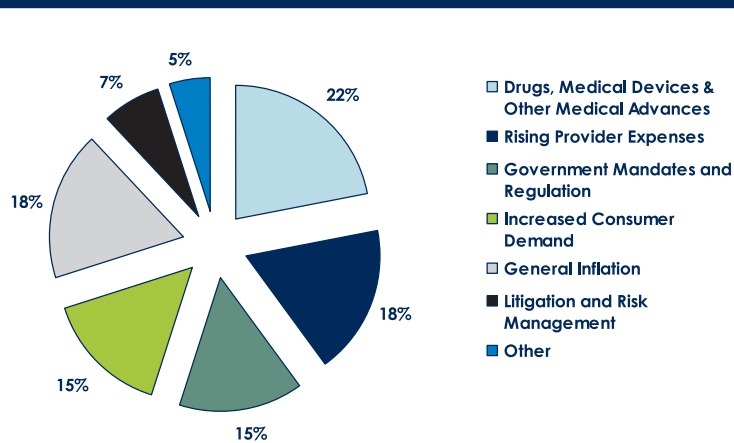
Employers understand that offering health benefits can mean the difference between gaining and losing good employees. But small businesses are saddled with government mandates that tell them the benefits they must cover and drive the cost they must pay.

Higher Costs are a Barrier to Coverage.

The 2003 Small Business Poll conducted by the National Federation of Independent Business found that 61 percent of Wisconsin firms employing fewer than 250 employees offer group health insurance to some or all of their employees. The same survey found that the top reason for not offering health insurance is the high cost of coverage, which is also the reason one quarter of small businesses now offering health insurance have considered dropping the coverage, according to a national study.



Factors Driving Rising Costs in Health Care (2001-2002)



"The Factors Fueling Rising Healthcare Costs." PricewaterhouseCoopers: April 2002.

Government Mandates, Regulations Increase Insurance Costs.

Many factors contribute to the high cost of health care and insurance, including the aging of the population, advances in medical technology, pharmaceutical costs, chronic illness, and increased use of service, among others. One of the reasons for the disparity in the cost of coverage between large and small businesses is the financial impact that benefit mandates and regulations have on the health benefit plans offered in the market by insurance companies. State mandates are health insurance benefits that a Wisconsin insurer *must* include in commercial plans sold in Wisconsin.

State mandates drive up the cost of health insurance sold in Wisconsin and make it harder for employers and employees to afford coverage. In a 2001 analysis prepared by the Wisconsin Office of the Commissioner of Insurance, five of the 23 state-mandated benefits contributed 5.5 percent of the cost of commercial health insurance premiums. A PriceWaterhouseCoopers study found that 15 percent of the increase in health care costs in 2002 was attributed to government mandates and regulations.

As Wisconsin Commissioner of Insurance Jorge Gomez recently observed, “[t]raditionally, as the number of benefit mandates increase, the cost of coverage rises, and as costs rise, fewer and fewer individuals and businesses can afford to insure.”

Unless they self-fund their health benefit programs, Wisconsin employers must either buy health insurance including all state-mandated benefits or provide no insurance at all.

Flexibility is Key to Affordability.

Small employers need flexibility to craft affordable benefit plans. Wisconsin’s “all or nothing” approach penalizes those struggling the most to continue providing insurance coverage—our small businesses. This must end.

Insurers must be allowed to respond to employers and the market. Their hands should not be tied by creating yet another uniform basic benefits plan with government-prescribed benefits. In the 1990s, state government tried this approach to creating a more affordable plan but ended up producing a program that virtually no businesses wanted to buy.

Issue

State mandates drive up the cost of health insurance sold in Wisconsin and make it harder for employers and employees to afford coverage.

Proposals

- a. Give employers and insurers the flexibility to create innovative health benefits programs that meet the market’s needs for improved access and affordability. True flexibility means that the program structures are defined by the needs and capabilities of the market, not by government prescription. These new product designs would be available in addition to the programs containing mandated benefits.
- b. Establish a five-year moratorium on new state-mandated health insurance benefits.

Outcome

Giving businesses and insurers the freedom to innovate with health benefits designs based on market demand would increase the number of Wisconsin employers able to offer affordable health care coverage.

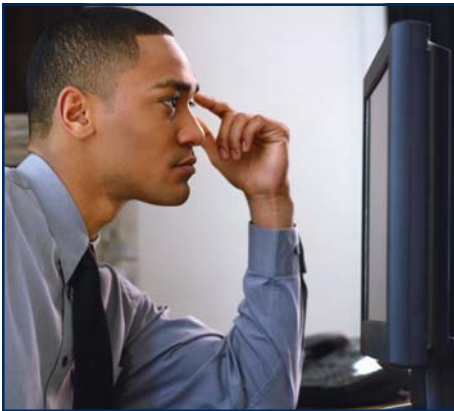
Promote Quality

Goal

Encourage the continued development of a consumer-driven health care environment in Wisconsin. Promising collaborative efforts to collect and report information related to quality, safety and cost should continue among providers and health plans. The state should provide assistance to promote information sharing, to help employers and consumers understand publicly reported data and to encourage innovative quality and safety improvement efforts in the marketplace.

Background

There is a growing belief that health care cost and quality concerns can be addressed through the development of a more consumer-focused health care system—one in which consumers and group purchasers are given the information and incentives to make better health care purchasing decisions. Information on health care quality and costs, commonly measured and consistently reported, gives consumers and purchasers the power to evaluate providers and make choices based on value. The collection of such information also gives health plans and providers more power to improve quality and reduce errors.



Collaborative Efforts Producing Useful Measures.

In recent years, Wisconsin has seen an explosion of health care information produced through the collaborative efforts of health care providers, plans and employers. The statewide CheckPointsm initiative of the Wisconsin Hospital Association, the multi-system Wisconsin Collaborative for Healthcare Quality and the original efforts by health plans to produce the Health Plan Employer Data and Information Set (HEDIS) are just a few examples of the private-sector activities producing data to be used by consumers to evaluate quality and make better purchasing decisions. Such efforts have produced information that is more useful than any program mandated or administered by state government in the last 15 years. The development of such systems is dynamic, reflecting important trends and changes in the market. Their continued development should be free from unnecessary and potentially stifling regulation.

To date, 109 Wisconsin hospitals representing 97 percent of the state's inpatient admissions have signed up to participate in CheckPointsm, a program designed to provide consumers with accessible, accurate data on the quality and safety of care they can expect from hospitals. And all Wisconsin HMOs publicly report HEDIS data, enabling consumers to consider several quality and satisfaction measures in evaluating Wisconsin's HMOs.

Protections Needed to Safeguard Quality and Safety Efforts.

Inside our health care facilities, information plays a crucial role in improving health care quality and safety. An example of this is information collected and used internally by peer review committees. This information is intended to aid physicians in reducing errors and improving the quality of their work. However, without ample protections from discoverability, physicians, hospitals and other health providers will be reluctant to volunteer information and participate in peer review efforts for fear of lawsuits. Safety and quality efforts are too important to allow this risk to be left unaddressed.

Tax Benefits Can Make Information Technologies More Affordable.

Information technologies aimed at improving safety, increasing efficiency and reducing administrative costs are also gaining acceptance, but not as rapidly as some would hope. Computerized medical records systems and computerized prescriber order entry (CPOE) are two better-known examples of promising new applications. However, these new systems can be extremely costly, running into the millions of dollars. For some health care providers, the cost alone puts many of these systems out of reach. Wisconsin has the ability to assist by targeting health care financing programs.

Issue

A consumer-focused health care system is one in which consumers and employers are given the information and incentives to make better health care purchasing decisions. Internal quality improvement efforts are essential in health care and protections are needed to ensure that these activities continue without legal threat. Information technologies, while improving safety and efficiency, are prohibitively expensive, putting them out-of-reach for some health care providers.

Proposals

- a. Encourage ongoing development of private sector initiatives for collection and public reporting of quality, safety and cost information. Allow these and future initiatives to flourish and develop free from government interference, including burdensome new data mandates that would duplicate these efforts or add little, if anything, to the developing information marketplace.
- b. Promote collaboration among health care providers, insurers and employers to educate and train consumers in understanding and interpreting publicly reported data.
- c. Facilitate internal quality improvement efforts by expanding current statutory protections from discovery provided to information collected and generated by peer review committees.
- d. Provide low-cost financing through the Wisconsin Health and Education Facilities Authority (WHEFA) for targeted information technology purchases made by hospitals and other non-profit health care institutions. Reduce the interest costs by providing a state income tax exemption for bonds issued by WHEFA for certain technology purchases or upgrades.
- e. Require the state to guarantee targeted technology loans made through WHEFA to small and rural non-profit health care institutions.
- f. Direct the state to provide \$100,000 in matching grants for the Wisconsin Patient Safety Institute to promote safety and quality improvements in Wisconsin's health care facilities.

Outcome

Bold information initiatives, allowed to develop independent of new government data mandates, hold the promise of providing consumers and employers with the tools they need to evaluate health care based on quality and cost. In the process, Wisconsin citizens will become better and wiser consumers of health care leading to more appropriate and cost-effective utilization of health care services.

Targeted, lower-cost financing will make expensive electronic medical records systems and other care-improving technologies more obtainable for health care providers. Once in use, the information systems can be used to improve safety, increase efficiency and reduce costs over the long run.

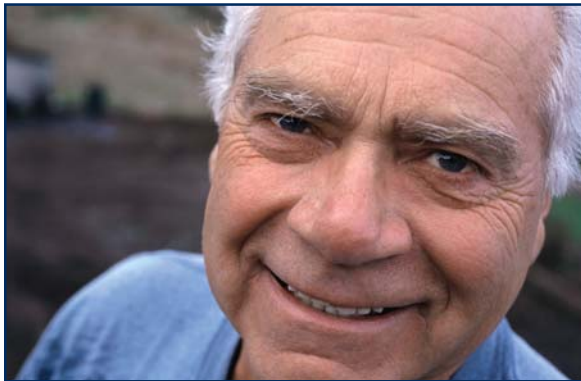
Repeal Hidden Tax

Goal

Cut the “hidden tax” on purchasers of private health insurance by reforming the Health Insurance Risk Sharing Plan (HIRSP) and the Medicaid/BadgerCare Program and providing adequate government funding to cover the cost of providing care.

Background

When payments from government health care programs fail to cover the actual cost of providing care, health care providers are forced to recover their costs from commercial (non-government) payers and employers. This shift in cost creates an additional burden—a tax—on the employers, who are struggling to cover the growing cost of providing health care to their employees and their employees’ families. The problem is especially burdensome among small employers, who can least afford health care coverage for their employees.



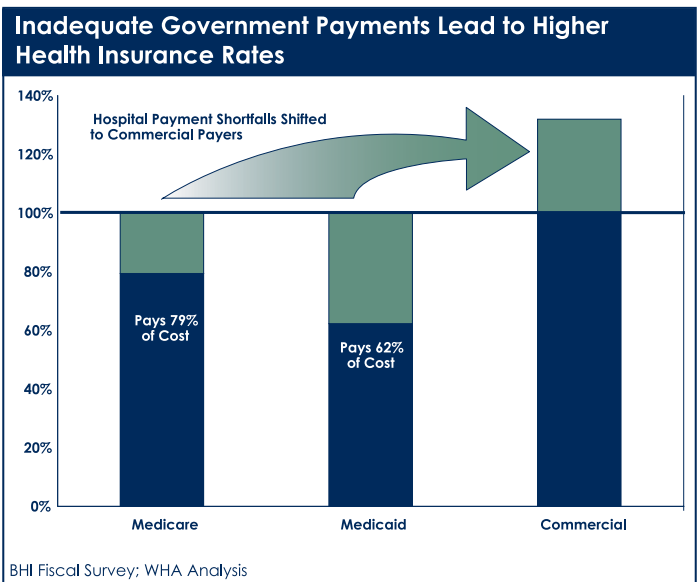
Medicare.

Medicare, the federal health care program for seniors, has traditionally underpaid hospitals for services. While state lawmakers have no control over this federal program, it is important to understand how Medicare underpayments affect health care costs. In 2002, Wisconsin’s hospitals spent almost \$3.3 billion in providing inpatient and outpatient services to over 700,000 Medicare recipients, while receiving only \$2.6 billion in payment from the Medicare program – **a shortfall of nearly \$677 million!** This was an all time high, and was an increase of \$124 million over 2001.

The fact is that Medicare payments do not keep up with hospital cost inflation, which typically averages between five and seven percent per year. Medicare’s updates average about two to two and a half percent, so the shortfalls grow each year. Hospitals have no choice but to pass on these shortfalls to commercial payers, each year placing greater and greater stress on commercial insurance premiums.

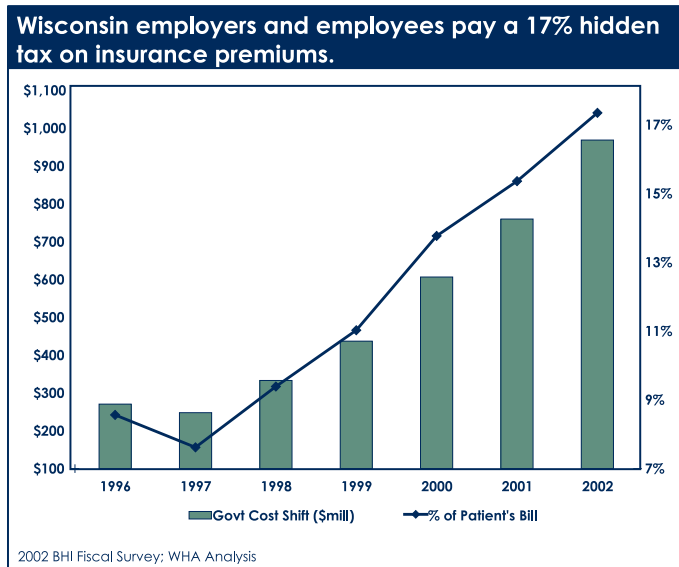
Medicaid.

Wisconsin has enjoyed significant cost savings, improved patient access and better quality care through its Medicaid/BadgerCare Managed Care Program. Seventy percent of enrollees in the program report a high level of satisfaction with their HMO (compared to 57 percent of enrollees on average nationally), and Wisconsin HMOs outperform the fee-for-service (FFS) Medicaid system in several key areas. However, payments in the Medicaid/BadgerCare Managed Care



Program are discounted by larger amounts each year. This puts more pressure on HMOs and providers to recover costs through their other customers, and the larger the discount, the bigger the challenge HMOs have in holding together provider networks to serve the program.

Between 2001 and 2003, payments to HMOs in the Medicaid/BadgerCare Managed Care Program were discounted at a rate that grew from 7.9 percent to 11.4 percent of the less efficient Medicaid fee-for-service (FFS) program. This occurred despite increasing enrollment in the Managed Care Program.



In 2002, the state paid hospitals 62.3 cents for every dollar hospitals spent providing care for Medicaid patients – that's 37.7 percent less than the cost of the care. Wisconsin's Medicaid program now ranks 49th in the country in percent of hospital costs (not charges) reimbursed. These unpaid costs are, out of necessity, shifted onto the health care bills and ultimately health insurance premiums of every other Wisconsin resident. The current and worsening Medicaid cost-shift, for unreimbursed hospital costs alone, is now almost \$270 million annually.

In 2002, the combination of Medicaid and Medicare underfunding inflated the amount of costs Wisconsin hospitals had to recover from commercially insured payers by 17 percent of the patient's bill, amounting to a "hidden tax" on commercial health insurance premiums of nearly \$1 billion. And the disparity is worse in Wisconsin than in the nation as a whole (where the underfunding adds 15 percent to commercially insured payers).

In the current tight budget, with pressure to find money anywhere to pay for the most basic services, any funds the state has set aside for Medicaid should be preserved for that use.

Health Insurance Risk-Sharing Plan (HIRSP)

HIRSP was designed to be the safety net for Wisconsin residents who fall into any of the following categories: those unable to obtain insurance in the individual insurance market due to pre-existing medical conditions; those who lose access to employer-sponsored health care coverage through termination; those who experience a significant increase in their health insurance premium. Currently, HIRSP is funded through provider discounts, assessments on insurers and premiums paid by enrollees. The State of Wisconsin contributes no general purpose revenue to the cost of HIRSP, despite the program's intended purpose and significant growth from 7,200 enrollees in 1998 to 17,000 in 2003.



Insurer assessments, composing 20 percent of the cost of HIRSP, have nearly doubled between 2002 and 2003. HMO assessments alone fund 56 percent of the insurer assessment. Since small groups represent the majority of HMO enrollment, they bear the heaviest burden of the HIRSP tax—and they are least able to afford it.

Provider payments contribute another 20 percent toward the cost of HIRSP. The amount of these discounts is also escalating with the growth of the program, as is the resulting cost-shift to the commercially insured population.

Whether it be from Medicaid, BadgerCare, Medicare or HIRSP, inadequate payments from government health care programs are a hidden tax on Wisconsin's employers and employees.

Issue

Government-sponsored health care programs failed to pay the cost of care received by enrollees.

Proposals

Cut the health care tax from underfunded government programs.

- a. Freeze the Medicaid tax on businesses by prioritizing funding for Medicaid/BadgerCare in the 2003-2005 biennium and shielding the funding from further reductions. Begin by making sure that all the money set aside in the 2003-05 budget bill for Medicaid is used for that program only.
- b. Establish, as a budget priority in 2005-2007, adequate reimbursement under Medicaid/BadgerCare to providers and HMOs, with a plan for:
 1. Graduated increases in reimbursement as a percentage of costs (providers)
 2. Graduated reductions in discounts (i.e., narrow the gap between payments to HMOs and payments in the FFS program).
- c. Reform HIRSP benefit design, funding, eligibility and governance.
 - HIRSP benefits are better than many plans offered in the commercial market, making the state safety net a more generous and expensive offering.
 - Managed care techniques have been proven effective in reducing cost increases in prescription drugs and hospital outpatient services in the commercial market. Similar application of these techniques could produce similar savings in HIRSP.
 - HIRSP enrollment criteria should recognize the ability of upper-income enrollees to contribute more toward the cost of the program.
 - The HIRSP governing board, representing providers, payers and consumers, has been stripped of its authority in recent years. That authority should be returned.
 - The state should apply for federal grant funding appropriated in the Trade Adjustment Assistance Reform Act of 2002 to help defray part of the normal operating losses state high-risk health plans sustain each year.

- d. Restore state funding for HIRSP beginning in the 2005-2007 biennium.
- e. Reform Medicaid/BadgerCare benefit design and BadgerCare eligibility. As in HIRSP, cost trends in the Medicaid/BadgerCare Managed Care Program relative to trends in the commercial market reveal opportunities to enjoy savings through application of effective managed care techniques in prescription drugs and hospital outpatient care. Benefit designs should be evaluated and adjusted to mirror coverage found in the commercial market.
- f. Aggressively pursue opportunities to maximize available federal funding for state health care programs.
- g. Work cooperatively with health care providers, businesses and governments from other states to address Medicare reimbursement shortfalls, as recommended in the final report of the 2002 Wisconsin Medicare Reimbursement Summit and as advocated for in 2003 Senate Resolution 7.

Outcome

Adequate government funding and reforms in Medicaid/BadgerCare and HIRSP will add stability to these government programs and reduce the burden on commercial health care programs, freeing purchasers of the hidden tax that has made the problem of rising health care costs worse.

Grow Health Care Workforce



Goal

Increase the supply of health care professionals in Wisconsin by restoring funding for Graduate Medical Education. Make it easier for the University of Wisconsin System (UWS) and the Wisconsin Technical College System (WTCS) to streamline the process of graduating qualified health professionals. Direct the Department of Workforce Development (DWD) to issue an annual health care workforce report and make recommendations for improvement.

Background

Wisconsin's health care industry is facing a serious workforce shortage. In some professions, the shortage will reach crisis proportions if not addressed. It is a classic case of supply and demand that will affect access to health care in the future. And with labor costs accounting for 50 to 60 percent of hospital spending, the effects of the labor shortage are contributing to the rising costs of health care today.

Demographic Trend Points to Greater Need.

As demographic statistics suggest, demand for health care will increase significantly over the next two decades. While the Wisconsin population overall is expected to increase 9.9 percent, the population over age 65 is expected to increase by 47 percent. Over that same period of time, Wisconsin is projected to have over 6,500 fewer registered nurses than will be needed. Wisconsin's nursing workforce is also aging, now averaging 47 years old and until recently, the number of people retiring from health professions outpaced those entering.

A Bottleneck in the Education System.

The problem is no longer a lack of interest in nursing careers or the inability to attract people to the training and education for other health care professions. More people are being drawn to health professions than perhaps ever before, but they are unable to obtain the education needed to move into these good paying jobs. Educational leaders, particularly within the WTCS, recognize this, and have demonstrated a commitment to finding solutions. And while progress is being made in some areas, the problem remains significant.

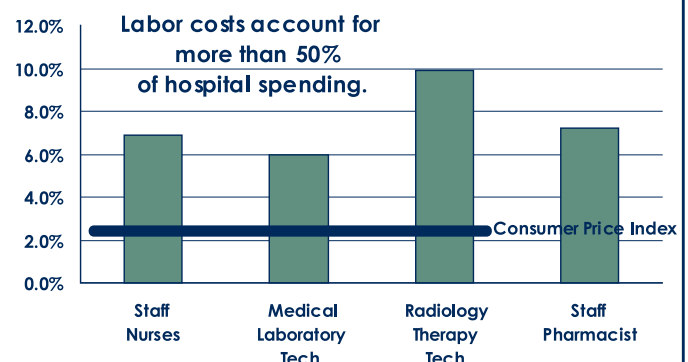
Nearly 3,000 people are stuck on waiting lists to get into WTCS nursing programs alone. Compounding this problem is the aging of instructors. The average age of a nursing instructor in Wisconsin is 50.3 years.

Nursing is not the only profession facing major shortages. Other professions, such as radiology technologists, pharmacists, lab technicians and surgical technologists, are also facing serious shortages. Also looming on the horizon is a significant physician shortage, characterized by many of the same supply and demand demographics as other health professions.

Labor Shortage Increases the Cost of Health Care.

While the labor shortage raises troubling questions about access to care in the future, it also means higher health care costs today. Faced with surging demand for care, and a limited supply of caregivers, health care providers are responding by dramatically increasing

Workforce Shortages are Leading to Significant Increases in Hospital Costs.



2003 WSHHRA 3rd Quarter Survey; WHA Analysis

salaries to attract and retain needed professionals. Since 2000, the annual average salary for an experienced nurse increased by 7 percent. For experienced radiotherapy technicians, the salary increase was 10 percent. Other strategies include increased use of temporary staffing agencies at a cost of two or three times the hourly wage of a full-time employee. These costs are ultimately passed on to employers and health care consumers.

Issue

Labor shortages in the health care field threaten access to care and drive up the cost of health care. Additional teaching capacity is necessary at the technical colleges and higher educational institutions to ensure that students are able to receive the training they need to step into the health care workforce. The physician shortage, now being felt acutely in some parts of the state, will escalate if steps are not taken to ensure that physicians are trained—and stay—in Wisconsin.

Proposals

- a. Restore funding for Graduate Medical Education to address the projected shortage of physicians in Wisconsin.
- b. Implement technical college reforms including:
 1. Allow differential tuition pricing to better reflect the cost of health education programs within the WTCS. Require that the additional revenue generated be used to expand course offerings in health programs, including evening and weekend classes.
 2. Direct the WTCS to develop one state-approved curriculum and admissions standard agreement for each of the health occupation programs--the curriculum to be the same at each technical college. The current situation results in delays and barriers to students transferring programs. Having one standardized curriculum and admissions standard will simplify course planning and preparation for educators, and direct students to programs where they are most likely to succeed.
 3. Direct the WTCS and UWS to immediately begin easing credit transfer between institutions. Exceptional work has already begun with programs creating registered nurses. The same work must be done for other programs held in common as well as for preparatory courses. These agreements would help students re-enter educational programs and would greatly assist health care workers wanting to move up career ladders or become teaching faculty.
- c. Direct the DWD, in conjunction with UWS, WTCS and Wisconsin Association of Independent Colleges, to issue an annual health care workforce report. The report would focus on the five professions of greatest need and include information to help direct or redirect workforce improvement strategies.
- d. Direct the UWS and WTCS, in collaboration with the Wisconsin Association of Independent Colleges, to make recommendations to the Legislature to address the findings of each annual report.
- e. Encourage reprioritizing existing funding for health professions education in the WTCS (as per the 2003-05 state budget) and UWS.
- f. Call upon the Board of Nursing and other state and national regulatory bodies to modify requirements for classroom and clinical instructors to increase the number of instructors available.

Outcome

Streamlining Wisconsin's education system for health professions will decrease waiting lists and move more students into rewarding, family-sustaining jobs. The resulting increase in the supply of health professionals will meet the growing demand while alleviating health care cost increases associated with short-term recruitment and retention strategies.

Cut Red Tape, Control Costs

Goal

Eliminate unnecessary and duplicative government regulations to reduce costs and give purchasers, providers and payers greater flexibility in creating solutions to the problems identified in health care today.

Background

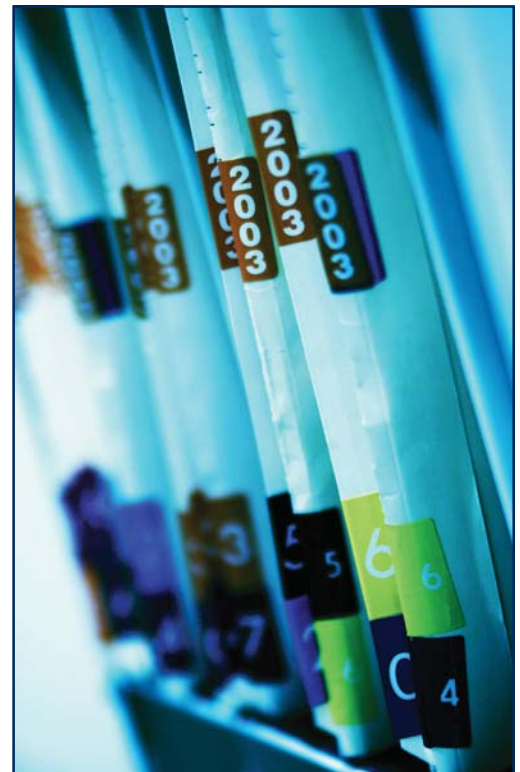
Government Regulations and Mandates Add Cost.

The problems of increasing health care costs and the uninsured can be partially addressed through reforms in government regulation, which, according to PricewaterhouseCoopers, in 2002 drove 15 percent of the increase in health care costs. Wisconsin providers and employers alike have spent millions of dollars complying with health care-related laws and regulations dealing with privacy, quality, safety and practically every aspect of providing service. Such increases in cost threaten to drive employers out of the health benefits market. Wisconsin can better serve the market by promoting an environment that fosters innovative solutions to today's problems.

Eliminating Duplicative Processes Will Reduce Costs.

The financial burden of government regulation can also be reduced through elimination of duplicative processes. For example, Wisconsin hospitals must meet Medicare, Medicaid, state regulatory and, for most hospitals, the Joint Commission on the Accreditation of Hospitals (JCAHO) standards in order to be licensed and participate in government programs. These often present duplicative but sometimes inconsistent standards with which each hospital must comply.

Elimination of unnecessary state requirements would streamline regulation and reduce inconsistencies and wasteful duplication.



Issue

Duplicative regulations drive up the cost of health care and reduce creative solutions to problems in the health care delivery system.

Proposals

- a. Eliminate language in s. 609.10, Stats., that requires employers to provide standard plan and point-of-service options. The cost burden in complying with this provision outweighs any benefit that could be gained in today's insurance market. Employers need the flexibility to channel their precious employee benefits resources toward the most cost-effective programs.
- b. Eliminate unnecessary state hospital licensure. These regulations are in addition to those already required by Medicare, Medicaid and the Joint Commission for the Accreditation of Hospitals.
- c. Harmonize state and federal law regarding the sharing of health care information. The federal Health Insurance Portability and Accountability Act (HIPAA) established a framework in which medical information can be released without patient consent for purposes of payment, treatment and operations, which include quality assessment and improvement activities. Wisconsin's privacy statute should be amended to mirror the language in federal law in order to avoid confusion, eliminate unnecessary administrative burden and cut red tape.
- d. Reduce state reporting requirements for health plans if plans have accreditation from a private national accrediting organization that has standards at least as stringent as state requirements.
- e. Encourage the state to use commonly-accepted quality benchmarks in its health care purchasing strategies. Health plans, providers and purchasers have collaborated to develop standards and measures that are gaining greater use as tools for evaluating and reporting quality health care. Some of these have already been embraced by administrators of government programs. New, additional procedures and requirements imposed for the sole purpose of government oversight will only increase costs and divert valuable resources if the intent of such procedures and requirements could be addressed with existing practices.

Outcome

Elimination or reform of unworkable or unnecessary regulation would reduce costs and give purchasers, providers and payers greater flexibility in creating solutions to the problems in health care today.

Promote Healthier Choices



Goal

Strengthen the role of consumers in the health care system today by providing information on health care quality and cost, promoting the use of advance directives and encouraging better lifestyle choices that improve health status.

Background

The movement toward consumer-driven health care holds the promise that cost and safety can be addressed by giving consumers the information, opportunities and incentives to make better lifestyle choices and health care purchases.

Reducing Preventable Illness will Reduce Demand.

Our health care delivery and financing system is heavily concentrated on treating the sick. Approximately 95 percent of our country's health care expenditures are devoted to providing care, while only five percent are spent on population-wide approaches to preventing disease and promoting health. Yet preventable illness

accounts for eight of the nine leading causes of death and 70 percent of the burden of illness and associated costs, according to the U.S. Office of Disease Prevention and Health Promotion.

In Wisconsin, cardiovascular disease is a leading cause of death. The estimated annual direct and indirect cost of cardiovascular disease is \$5.2 billion or over \$1,000 for every man, woman and child. But much of the health and economic burden of cardiovascular disease can be prevented and controlled, according to the Wisconsin Division of Public Health.

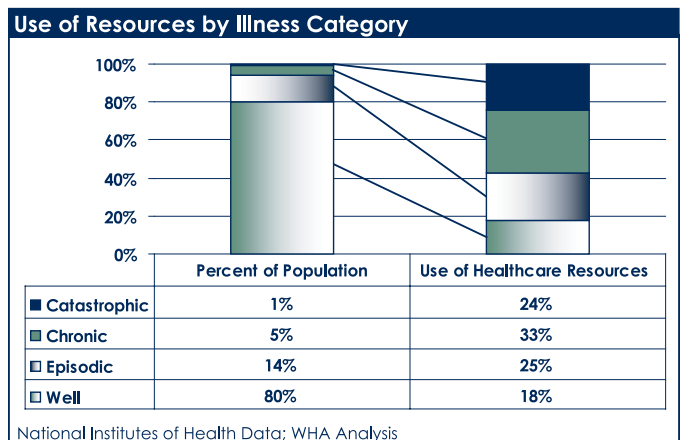
Today's obesity epidemic among children is another example of a preventable potential health crisis. If this disturbing trend is not addressed by the individuals themselves, it will cause a further explosion of health costs. Wisconsin must come to grips with these problems and aggressively pursue health interventions that result in reduced demand for costly health care services.

Wisconsin's employers can lighten their health care cost burden while improving the health of their employees by sharing health information and promoting worksite wellness. Worksite health improvement strategies have been shown to lower employees' risks of illness, improve morale and reduce health benefits costs.

Encourage Personal End-of-Life Planning.

Personal decisions about health care are best left to patients and their families in consultation with medical professionals. Purchasers, including employers, can encourage advance care planning by assisting with patient education. The recent case of a Florida family battling over control of a patient's health care decisions shows the pain and anxiety that can result in the absence of a properly documented end-of-life plan. And yet, according to the Agency for Healthcare Research and Quality, less than 50 percent of the severely or terminally ill patients studied had advance directives in their medical record.

There is a financial side to the ethical and medical decisions made in the last days of a person's life. One widely recognized study reported that the 5.9 percent of elderly Medicare beneficiaries who were in their last year of life in 1978 accounted for 27.9 percent of total Medicare spending. In another study, the mean



inpatient charge for patients without documentation of a discussion about advance directives—in which the patient's own wishes can be expressed and recorded—was more than three times that of the patients with such documentation.

Share Information on Quality and Outcomes to Promote Better Use of Services.

As purchasers of health care services, employers—particularly large employers—have the power to demand an accounting of the value of the health care product they are purchasing. Today, experience, knowledge and technology all make it possible to measure the care being financed by the employer's health care dollars. Recent private-sector initiatives such as the Wisconsin Collaborative for Healthcare Quality, the Wisconsin Hospital Association's *Checkpointsm* initiative, and the Wisconsin Healthcare Purchasers for Quality have built on the efforts of health plans and the National Committee for Quality Assurance (NCQA) to produce comparative health care information. Armed with proof of what they are getting for their health care dollar, purchasers can better direct their investment to more effective programs and providers, rewarding quality and creating the kind of market that is conducive to better care.

Issue

Consumers must become active participants in making decisions that affect their health. Chronic diseases can be prevented, but only if information is accessible and incentives to improve health care are available.

Proposals

- a. Develop a public school curriculum (see s. 115.35, Stats.) focusing on healthy lifestyles, health literacy and health care consumerism.
- b. Focus state government resources and activities on creating a healthier Wisconsin (alcohol and drug abuse, tobacco use and obesity). Also, encourage local communities and businesses to do their part in promoting a healthier Wisconsin.
- c. Develop a user guide for businesses and individuals on health care and health insurance, with illustrative case studies.
- d. Improve consumer awareness and encourage family discussions of issues related to end-of-life care. Strive to increase the number of consumers completing advance directives before a serious health issue arises. Promote the use of the Wisconsin driver's license as a vehicle for indicating the presence of an advance directive and the license renewal process as an opportunity to share information about end-of-life care.
- e. Encourage employers to provide useful health care information to their employees, including information on healthy diet and exercise and advance directives.
- f. Educate employers on the use of cost and quality data, benefit plan design options and the value of health care consumer incentive strategies.

Outcome

Giving consumers the information, incentives and opportunities to make cost-effective health care purchases will add a powerful, positive force in the effort to improve health care cost and safety and create a healthier Wisconsin.

*Wisconsin Association
of Health Plans*

Phil Dougherty
WI Association of Health Plans
608-255-8599
pdougherty@tds.net
www.wihealthplans.org



Eric Borgerding
Wisconsin Hospital Association
608-274-1820
eborgerding@wha.org
www.wha.org



R.J. Pirlot
WI Manufacturers & Commerce
608-258-3400
rjpirlot@wmc.org
www.wmc.org