At exactly the same time the United States Senate Committee on Finance was hearing testimony about innovations in health care delivery, Wisconsin hospitals and health systems were testifying in Madison, Wisconsin before the State Assembly Committee on Health at a hearing entitled, “Transforming Health Care in Wisconsin Through Better Quality, Better Outcomes and Better Value.” Invited speakers at this hearing were from Aurora Health Care of Milwaukee, Bellin Health System of Green Bay, Gundersen Lutheran Health System of La Crosse, and the Wisconsin Hospital Association (WHA) of Madison. Each testifier discussed how hospital and health systems are reforming health care in Wisconsin by refocusing on delivering higher quality, patient-centered, outcomes-focused care with the goal of achieving better value for each health care dollar. The testimony on the following pages was provided by WHA Executive Vice President Eric Borgerding to the Assembly Committee on Health at that hearing. We believe it gives excellent insight into Wisconsin’s commitment to driving health care value and provides important information for the Senate Committee on Finance regarding its hearing on the same subject matter.

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Testimony Before the Wisconsin State Assembly Committee on Health
Eric Borgerding, Executive Vice President, Wisconsin Hospital Association
May 23, 2012

Chairman Stone, ranking member Richards, members of the committee, my name is Eric Borgerding, I’m Executive Vice President of the Wisconsin Hospital Association. I’m joined by WHA’s chief quality officer, Kelly Court. I have just a few general remarks and then will turn it over to Kelly.

First, I want to thank you for holding this hearing and providing this venue for discussion about some very positive trends and developments in Wisconsin health care that warrant more attention.

In many ways Wisconsin is a leader in a national transformation, an effort to repurpose and retool the structures of health care delivery and financing away from volume driven, fee-for-service
reimbursement, and instead towards a system that must both demand and reward better quality and better outcomes and that will ultimately produce more value for our health care dollars.

Indeed, improving quality and value is health care reform ... reform that began in Wisconsin prior to the passage of the Affordable Care Act, and that will continue regardless of how the Supreme Court rules next month.

This reform, as defined by increased focus on quality and value, is being hastened, if not dictated, by the combined forces of deficit reduction and, as importantly, the need for employer health care cost containment in a national and globally competitive economy. Reform here means increasingly engaged payers, coupled with integrated systems of providers aligned toward a common goal—producing better quality, outcomes and value for employer and employee health care dollars.

WHA believes this type of health care reform can set Wisconsin apart from other states. Here’s why:

- **Wisconsin remains the home of national leaders and pioneering organizations in the quality and value movement.** The ThedaCare Center for Healthcare Value, the Wisconsin Health Information Organization (WHIO), the Wisconsin Collaborative for Health Care Quality (two of which’s founding members you will hear from today), MetaStar, the Partnership for Health Care Payment Reform, headed up by former Wisconsin Department of Health Services Secretary Karen Timberlake, and a host of other Wisconsin business and health leaders are not only nationally recognized catalysts, but continue to push providers, insurers and patients to seek superior quality and value and, importantly, accelerate the pace of change in Wisconsin.

- **Wisconsin has a strong presence of integrated hospital and health systems that include employed physicians, and align towards a common goal—better outcomes.** At least two-thirds of Wisconsin’s practicing physicians are employees of hospitals or growing integrated systems. That means more care is being delivered “under one roof”, aligned, and within a shared philosophy and goal of achieving superior outcomes.

- **You cannot improve what you cannot measure, and Wisconsin hospital and health systems have a long history of commitment to improving care and transparent reporting of results.** We are a national leader in ongoing, measurable quality improvement, including WHA’s CheckPoint and the Wisconsin Collaborative for Health Care Quality – pioneering efforts bringing providers and payers together to develop and publicly report health care performance.

- **Wisconsin is a leader in adopting electronic health records.** In 2012, Wisconsin hospitals ranked second in the nation in adoption of certified electronic health records (EHR) technology. Further, Wisconsin is ahead of nearly all of its Midwest neighbors in the adoption of more advanced EHRs.

  Capitalizing on alignment and connectivity, Wisconsin providers are developing accountable models of care responsible for improving quality, reducing costs and better managing the health of their patients. Hand-in-hand with this delivery system change, the payment model in health care is also changing, moving away from unit pricing, fee-for-service and volume, and towards outcomes, total cost of care and value. There are several examples across the state of these "accountable care" models —three of which you will hear from today.
• Wisconsin hospitals are taking a page from the manufacturing sector’s book and increasingly adopting LEAN and other efficiency initiatives that focus on reengineering processes to reduce waste and improve quality, and we are seeing growing evidence that these initiatives are bearing fruit:

  o A 2011 study by Milliman and Mercer, conducted for the Greater Milwaukee Business Foundation on Health, showed that from 2003-10 hospital operating expenses in SE Wisconsin increased by 17 percent compared to a 28 percent increase in the Hospital PPI and 37 percent increase in the Hospital Market basket index for the same period.

  o And Lean is not limited to large organizations. I spent all day last Friday at Prairie du Chien Memorial hospital – a small 25 bed hospital adopting lean management principles that are quantifiably reducing cost. Lean is more than a process, it is a culture change that involves employees at all levels and even facility design. In fact, Prairie du Chien is in the process of replacing their 62 year old facility and designing it with Lean principles in mind.

  o Further, Wisconsin hospital supply costs per discharge are now nearly 19 percent lower than the national median.

  o And according to recent data from CMS and Kaiser, Wisconsin hospitals cost less per Medicare patient than national averages. In fact, 88% of Wisconsin hospitals cost Medicare less per patient than the national average.

• And hospital commercial payments are also reflecting improvements in efficiency and quality. For example:

  o From 2003-10, commercial payments to hospitals in SE Wisconsin increased 40 percent less than the Hospital CPI over the same period. Health care costs are a component of labor costs and effect Wisconsin’s competitiveness, and with over one-third of all Wisconsin jobs located in the seven county SE Wisconsin region, the impact of these cost and price improvements should be significant.

  o Statewide hospital rate increases are moving downward, declining from 7.4 percent in 2002 to 4.8 percent in 2012. Still high, but certainly trending in the right direction.

These are just a few examples, and in the interest of time I’ve distributed a packet containing several more illustrations of Wisconsin’s high marks in national rankings and ongoing efforts to improve quality and value.

These are promising trends, indicators of progress and glimpses of solutions to our massive health care challenges. It is a direction in which we are heading, but not a place we have arrived. Health care still consumes too much of our GDP, our federal budget, our state budget, our personal budgets and employers’ budgets. Some in the health care and the business communities are critical of the pace of improvement in health care. They are not wrong, but we believe, for our part, things can change.
There is a good story taking shape in Wisconsin, and we should start telling it. Health care can be an economic and competitive advantage for this state. Access to quality and efficient care should be as much a part of our economic infrastructure as roads and utilities.

Regardless of how the Supreme Court rules on the Affordable Care Act, Wisconsin must, and we are confident, will accelerate down the “reform” path. Few other states are as well positioned, or committed to succeed, if not thrive, in this emerging health care value dynamic—that is a Wisconsin strength that we believe can transform into Wisconsin advantage.

Thank you again for this opportunity to speak. We are very committed to and passionate about the future of health care, and helping our members succeed in a necessarily changing, value focused world.

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As WHA’s testimony demonstrates, Wisconsin hospitals and health systems are committed to moving forward with value-based care. The result of these efforts has been documented in research from other organizations like the Dartmouth Atlas, Kaiser Family Foundation and The Commonwealth Fund.

For example, the Dartmouth Atlas reports that high value states like Wisconsin cost the Medicare program far less than other states, and a recent Commonwealth Fund report ranked all of Wisconsin’s communities in the top quartile of the nation in health care system performance. Most recently, Kaiser analyzed the Centers for Medicare and Medicaid Services “hospital efficiency” data and found that 88% of Wisconsin’s hospitals are better than the national average in hospital efficiency.

However, improving cost efficiency is one of only two important goals when pursuing value. The other goal is towards continual quality improvement. In 2004, the WHA launched its voluntary hospital quality reporting program – CheckPoint (www.WiCheckPoint.org). CheckPoint was the first statewide, voluntary hospital quality reporting initiative in the country. It was designed to meet growing stakeholder demand for information on the quality of care provided by community hospitals. Consumers, providers and employers are able to view quality and error prevention information on every Wisconsin hospital. Wisconsin remains the only state in the country to voluntarily report more than 60 measures of quality and safety.

This culture of quality improvement is why in 2012 a full 98% of Wisconsin hospitals are also voluntarily participating in the largest quality improvement initiative WHA has launched in a decade: Partners for Patients. The ambitious goals of the Partners for Patients initiative are to reduce inpatient health care associated complications by 40 percent and readmissions by 20 percent over a three-year period in 10 key areas.

We believe these examples demonstrate that Wisconsin hospitals and providers take seriously their commitment to health care value through improved quality and reduced costs. On behalf of our hospitals and health systems, we appreciate the opportunity to relay this information to the Senate Committee on Finance.

Find out more about what Wisconsin is innovatively doing to drive health care value at www.wha.org.