



# Wisconsin Health Care Costs – Challenges and Opportunities

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## Major Points<sup>+</sup>

- What Drives Health Care Costs?
- Opportunities for Improvement

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# The Fundamentals Driving Health Care Costs

Health care spending is driven by:

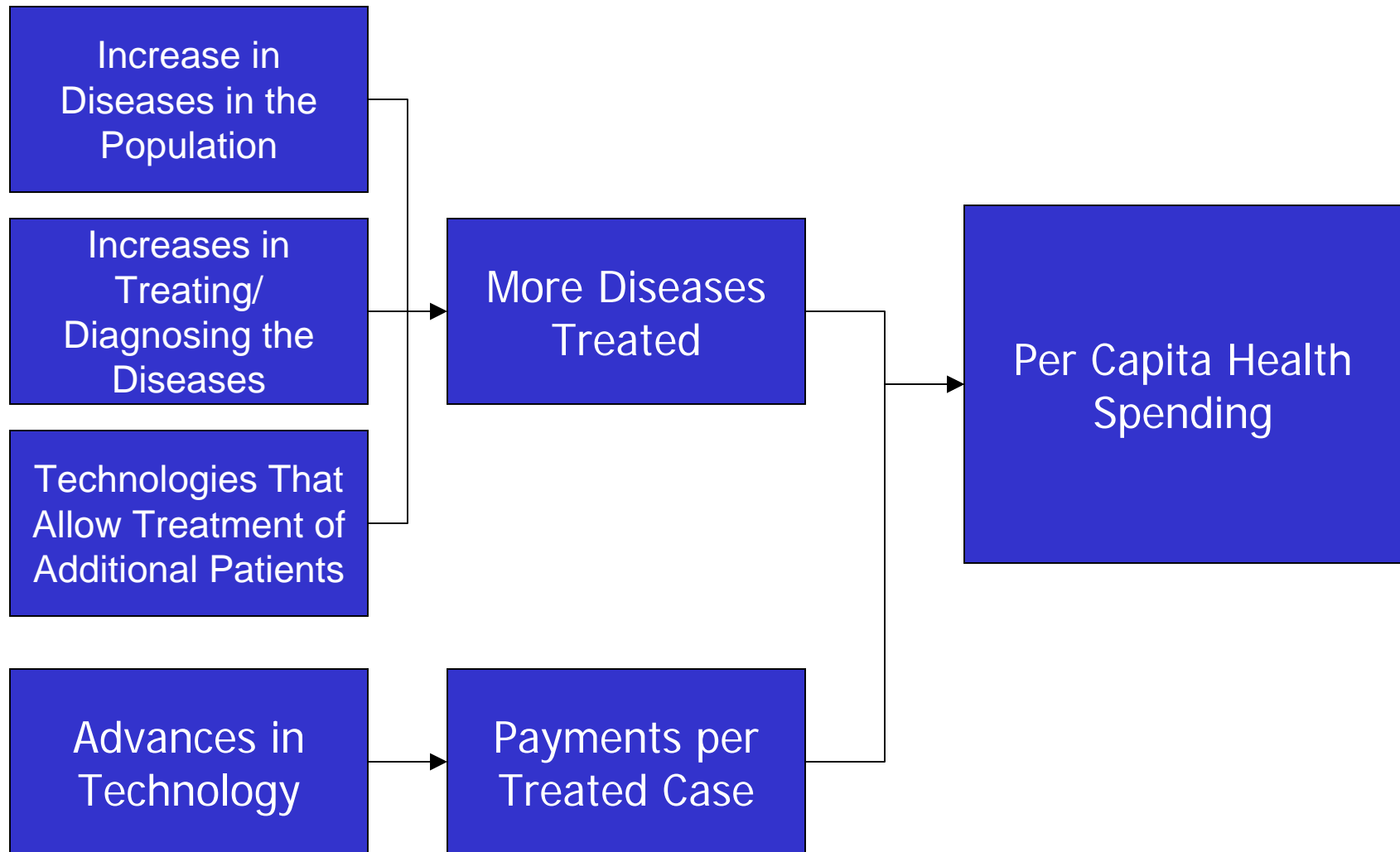
- Number of services
  - How many diseases are present
  - How frequently they are treated, and
- Costs per service
  - Driven by advances in technology

Source: Health Affairs – June 27, 2005

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# The Fundamentals



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## The Fundamentals Driving Health Care Costs

The increase in diseases in the population is caused by increased risk factors, such as obesity

- For instance, obesity among adults DOUBLED in the last twenty years
- During the same period, type II diabetes - which is linked to obesity - increased 53 percent

Source: Health Affairs – June 27, 2005

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## The Fundamentals Driving Health Care Costs

More diseases are being treated because of

- Increased number of diseases in the population – example: diabetes
- Improved medical knowledge on how to diagnose and treat disease, and
- New technologies that allow earlier detection and better outcomes

Source: Health Affairs – June 27, 2005

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# The Fundamentals Driving Health Care Costs

Payments per patient are largely driven by technology – which means payments per case have risen

- Treatment associated with heart disease and heart attacks is one example
  - Stents used in surgeries on patients with heart disease – cost \$7,000 each
  - tPA drug used in ER saves heart attack patients – costs \$2,500 for each injection
- Consumers expect the “best and newest” technology

Source: Health Affairs – June 27, 2005

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# What is Meant by Advances in Technology?



## X-Ray Machine – The Beginning

- ✓ Became widely used in early 20<sup>th</sup> century - used x-rays to see hard tissue inside body
- ✓ Used to diagnose fractures in bones, cavities in teeth.



## Cat Scanner – Soft Tissue and Radiation Therapy

- ✓ First used in 1973 - X-rays from multiple angles for 3-D images
- ✓ Reveal both bone and soft tissues, including organs, muscles, and tumors
- ✓ Can also be used for radiation therapy. Makes possible earlier diagnosis of cancer, etc.



## MRI – Seeing organs at work

- ✓ First used in 1982 - MRI uses radiofrequency waves and a strong magnetic field
- ✓ Images of soft tissue clearer and more detailed than with other imaging methods.
- ✓ The detail makes MRI an invaluable tool in early diagnosis and evaluation of tumors or for diagnosing heart problems

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# Technology Advances – Benefits and Costs



**X-Ray Machine – The Beginning**

- ✓ An x-ray of the spine will show you a picture of the structure of the spine.
- ✓ It is one dimensional.

Average Charge in Wisconsin for x-ray of the spine: \$358.46



**Cat Scanner – Soft Tissue and Radiation Therapy**

- ✓ A CT of the spine shows **more detailed pictures of the structure** of the spine, and in 3 dimensions.
- ✓ Contrast can be used to make the spine easier to see, **check for blood flow, and find tumors.**

Average Charge in Wisconsin for CT of the spine: \$1,267.91



**MRI – Seeing organs at work**

- ✓ **More detailed pictures of a specific area** may be taken to aid in diagnosis and treatment.
- ✓ An MRI shows changes in the spine, **surrounding tissue**, poor blood supply, **nerve damage, infection**, a tumor, and **areas of joint inflammation or bone loss.**

Average Charge in Wisconsin for MRI of the spine: \$2,308.46



## The Fundamentals Driving Health Care Costs

Between 1987 and 2002, private health insurance spending per person increased nearly 60 percent

- 80% of the new spending was due to higher utilization of services in treating diseases, not the average cost, of those services
- Diseases include, for example, diabetes, lung conditions, high cholesterol, and cancer

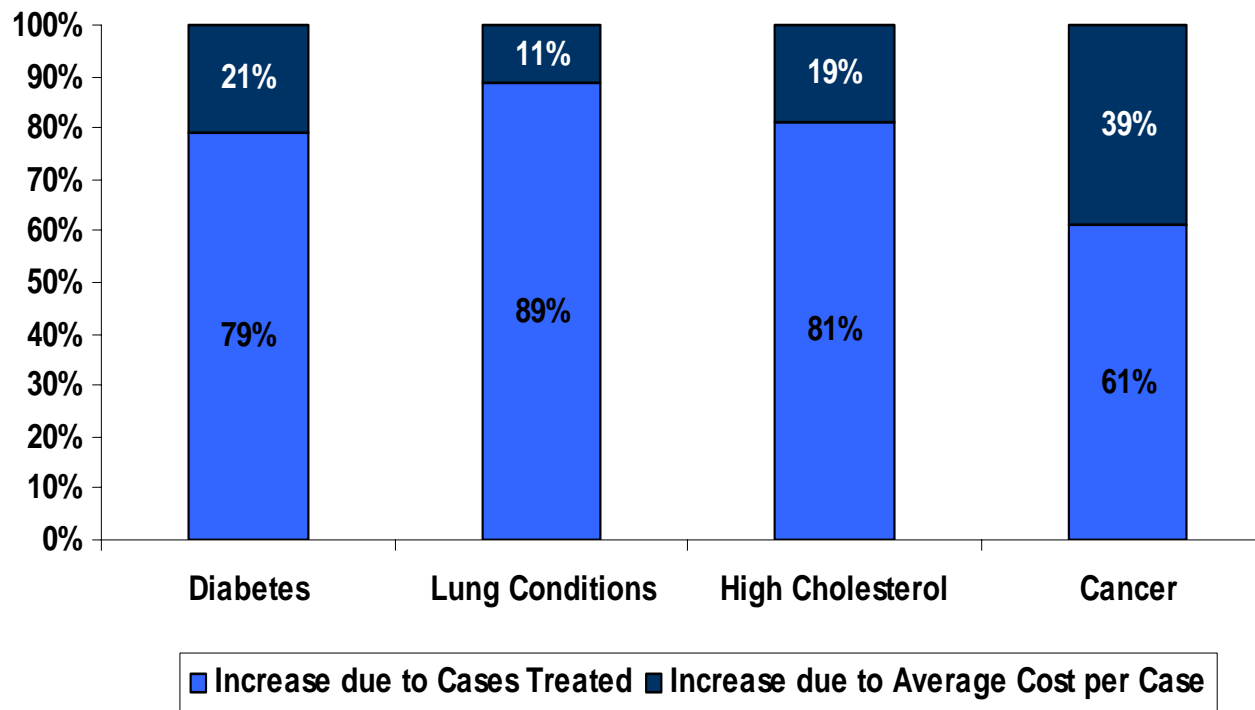
Source: Health Affairs – June 27, 2005

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# The Fundamentals Driving Health Care Costs

*Increases in Treatments Account for High Percentage of Cost Increases – 1987 to 2002*



Source: Health Affairs – June 27, 2005

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## Other Cost Drivers<sup>+</sup>

✓ **EMPLOYER-SPONSORED HEALTH INSURANCE** – Minimal value-based purchasing by employers or economic consequences for employees.

- Employers – price/transaction-based/disengagement
- Employees – benefit/episodic/uninformed

✓ **LESS THAN OPTIMUM CARE** – Midwest Business Group on Health says 30% of cost of care is due to poor quality: overuse, underuse, misuse. Institute of Medicine reported on the errors that take place in the delivery of care.

✓ **PATIENT/SOCIETY EXPECTATIONS** – “Cost is not an issue”. Use of “lifestyle” drugs.

✓ **GOVERNMENT UNDERFUNDING** – The Medicare and Medicaid programs *DRAMATICALLY* underpay their fair share of expenses, forcing providers to shift costs to private payers.



# Opportunities for Improvement

## ✓EMPLOYERS MAKING VALUE-BASED DECISIONS

- Selection of provider networks based on overall value
- Payments based on performance, not just price
- Quality and outcomes are measured
- Engaging employees/beneficiaries
  - HDHPs
  - Health risk assessments/other health management
- Requires *USEFUL INFORMATION* about cost and quality

## ✓ENGAGING CONSUMERS

- Significant movement towards Health Savings Accounts – 300% increase in enrollment in the last 2 years – more expected for 2007
- Assumes employees/insureds will become engaged consumers of health care
- It is the value-driven consumer that is expected to partly rein in health care costs by making prudent buyer decisions
- Requires *USEFUL INFORMATION* about cost and quality

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# Opportunities for Improvement

## ✓ PROVIDING USEFUL INFORMATION

- WHA made decision three years ago to take a leadership position on transparency
- WHA's definition of transparency is *“providing useful cost and quality information for decision-makers”*
- CheckPoint provides evidence-based quality measures for EVERY Wisconsin hospital
- PricePoint gives health care consumers access to hospital CHARGE information for every type of inpatient hospital condition for every Wisconsin hospital – Next steps:
  - Outpatient charges
  - Consumer page

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# Transparency

Checkpoint - Search Reports - Microsoft Internet Explorer

Address: http://www.wicheckpoint.org/reports/list.php?category=medical-services&ami=checked&chf=checked&cap=checked&ep=checked&noFilter=Click+here+for+All+Hos

**CHECKPOINT** Wisconsin Hospitals Accountable for Quality

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101 matches  
Measurement data are from 10/1/2002 - 9/30/2003  
Report generated 17 Jun 2004 5:12 pm

**KEY**

- No data collected at this time.
- + Data collected, but not enough cases to be representative of care provided in this reporting period. As CheckPoint adds data, more hospitals will report this measure.
- Ⓢ Data in the "Antbc Time" column is reported in terms of time, hrs:minutes

Hospital Name and City	Heart Attack (%)				Hrt. Fail. (%)		Pneumonia (%)			
	Asprn at Arvl	Asprn at D/C	Bblock at Arvl	Bblock at D/C	ACEI LVSD	LVF Assess	ACEI LVSD	Antbc Time	Oxygen Assess	Pneum Vaccine
National Average (JCAHO average)	94	93	88	90	78	84	75	—	97	36
State Benchmark (90th percentile of reported WI hospitals)	100	100	100	100	98	98	92	2:27	100	84
<a href="#">All Saints Medical Center (Racine)</a>	97	95	94	96	+	—	—	—	—	—
<a href="#">Appleton Medical Center (Appleton)</a>	97	98	93	98	74	85	75	5:21	100	3
<a href="#">Aurora BayCare Medical Center (Green Bay)</a>	—	—	—	—	—	67	+	—	—	—
<a href="#">Aurora Lakeland Medical Center (Elkhorn)</a>	+	+	+	+	+	—	—	3:14	100	48
<a href="#">Aurora Medical Center Hartford (Hartford)</a>	—	—	—	—	—	78	+	+	100	31
<a href="#">Aurora Medical Center Kenosha (Kenosha)</a>	+	+	+	+	+	—	—	4:28	98	13
<a href="#">Aurora Medical Center Manitowoc County (Two Rivers)</a>	—	—	—	—	—	100	+	+	100	72
<a href="#">Aurora Sheboygan Memorial Medical Center (Sheboygan)</a>	93	+	95	+	+	71	+	—	—	—
<a href="#">Aurora Sinai Medical Center (Milwaukee)</a>	—	—	—	—	—	98	84	4:34	96	??

Menu ready for use

Start | Internet | 5:12 PM

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# Transparency



WHA Information Center **PricePoint** System  
*The Respected Source for Health Care Data*

[BASIC QUERY](#) | [COMPREHENSIVE QUERY](#) | [ABOUT](#) | [CONTACT](#) | [WHAIC HOME](#)

**St Francis Hospital**  
3237 S 16th St  
Milwaukee, WI 53215  
414-647-5662

**Normal Newborn**  
October 1, 2004 - September 30, 2005

	Selected Hospital	All Hospitals in this County	All WI Hosp. with Similar Patient Volume	All WI Hospitals
Number of Discharges:	1,003	11,744	27,418	53,099
Average Length of Stay:	2.1 Day(s)	2.2 Day(s)	2.1 Day(s)	2.1 Day(s)
Average Charge:	\$2,017	\$2,155	\$1,832	\$1,713
Average Charge Per Day:	\$942	\$986	\$861	\$816
Median Charge:	\$1,849	\$1,855	\$1,661	\$1,575

NR = 1 - 4 Discharges (Not Reported)  
 = Show hospitals in that group

- Notes About this Table
- Understanding Facility Charge Information
- Why Charges May Differ Between Facilities



View CheckPoint<sup>SM</sup> Quality Reports for this Hospital

Select New Hospital

Select New Service at this Hospital

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# Health Care Must Take the Lead in Quality Improvement

- ✓ **MIDWEST BUSINESS GROUP ON HEALTH**
  - Health care costs can be reduced by 30%
  - Eliminate over-use, under-use, and misuse of care
- ✓ **WHA CHECKPOINT MORE THAN TRANSPARENCY EFFORT**
  - Also serves as the catalyst for state-wide hospital quality improvement
  - Hospitals compare themselves with peers, initiate QI programs

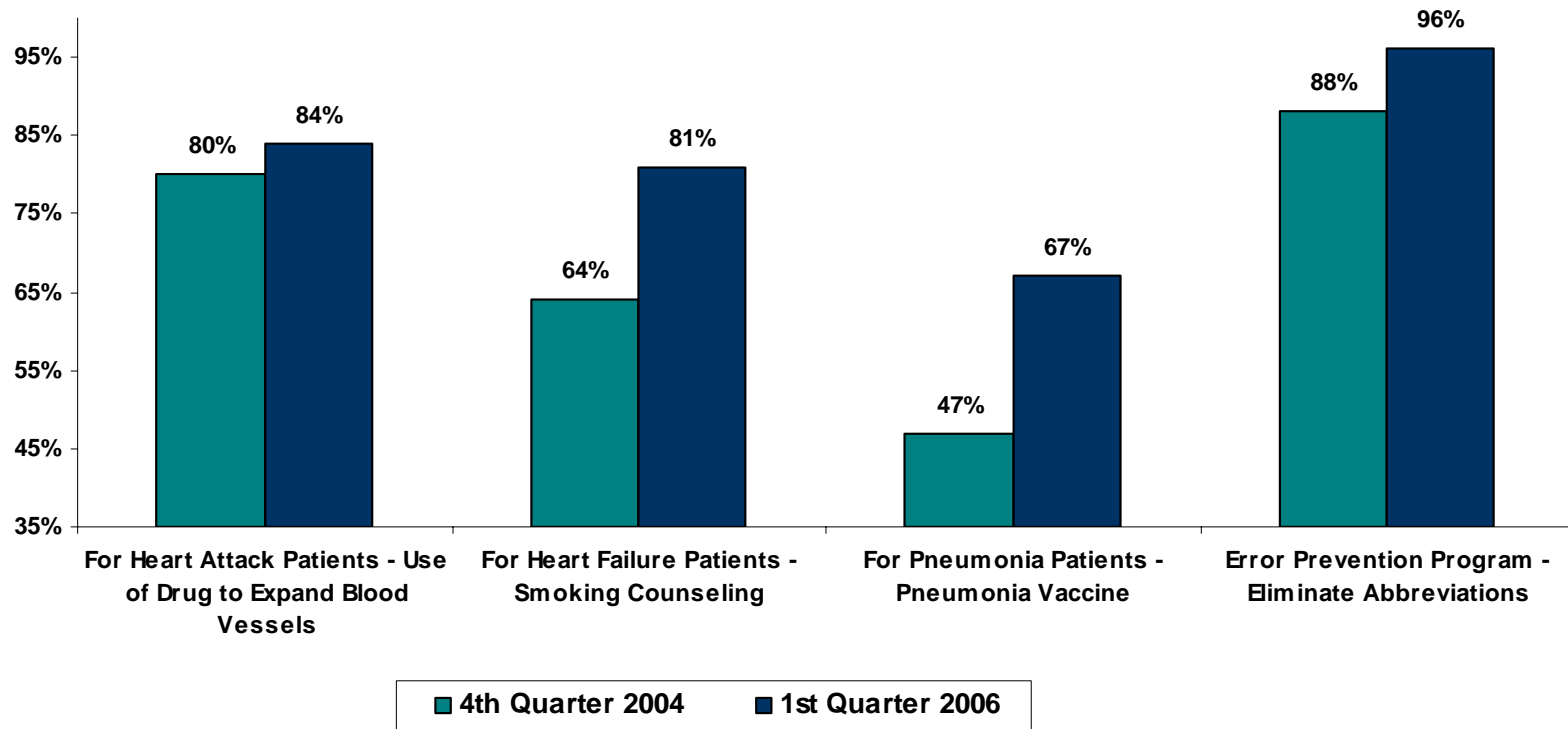
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# Health Care Must Take the Lead in Quality Improvement

## *The CheckPoint Initiative has Delivered Results*

Examples of Improvement in State Averages  
Percent of Time Procedures Followed



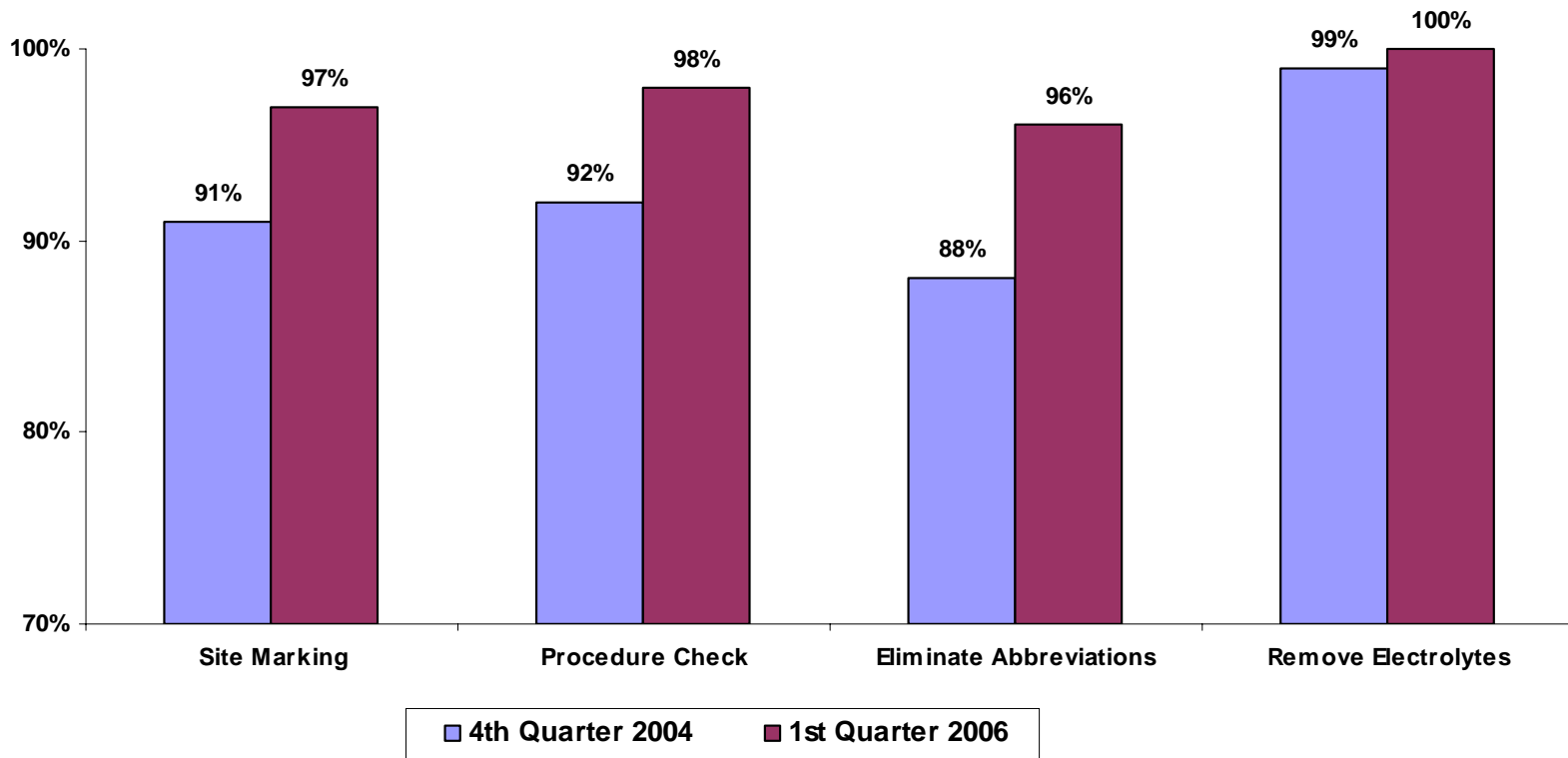
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# Health Care Must Take the Lead in Quality Improvement

## *The CheckPoint Initiative has Delivered Results*

Error Prevention - State Averages for Percent of Time Procedures Followed



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## Health Care Must Take the Lead in Quality Improvement

- ✓ **MUCH MORE NEEDS TO BE DONE**
  - Move toward more uniformity in care delivery, such as treatment protocols
  - Better management of chronic diseases, such as diabetes
  - Improve community health, not just treat diseases

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# Fundamental Questions our Society Must Address

- ✓ **PATIENT/SOCIETY EXPECTATIONS**
  - Should we use (and pay for) every new technology that becomes available?
  - How do other countries deal with access to technology or even basic services? What has been the impact?
  - Is our Nation ready for a discussion about end of life issues?
- ✓ **PERSONAL RESPONSIBILITY**
  - Do we begin to make individuals more responsible for their own health?
  - Will there be costs associated with personal health decisions?
- ✓ **UNDERFUNDING OF GOVERNMENT PROGRAMS**
  - How will Medicare reform affect the cost of the program?
  - Will the Wisconsin legislature continue to underfund Medicaid?

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- ✓ **THE CAUSES OF HIGH HEALTH INSURANCE PREMIUMS**
  - increasing demand due to higher disease incidence and
    - more medical treatments for those diseases
  - technology advances
  - lack of value-based purchasing
  - less than optimum care
  - personal behavior/societal/cultural attitudes
  - underfunding of government programs
  
- ✓ **AS WE LOOK FOR SOLUTIONS**
  - Carefully consider underlying causes
  - Include all parties in decisions

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ASSOCIATION, INC.**

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