

# Wisconsin Health Care Costs: Challenges and Opportunities

## Background

As health care costs continue to rise, making health insurance premiums more difficult to afford, many are asking questions about the causes for these increases. The Wisconsin Hospital Association (WHA) has examined this important issue and has several ideas about underlying causes of health care cost increases, and we also have suggestions on actions that could be taken to address the problem. Finally, we pose some issues that our society needs to grapple with if we are to find a complete solution.

## What Drives Health Care Costs?

In its most basic form, health care spending is driven by demand, or utilization of services (how many diseases are present and how frequently they are treated), and the cost per service, which is driven by input costs like technology, labor costs, etc.

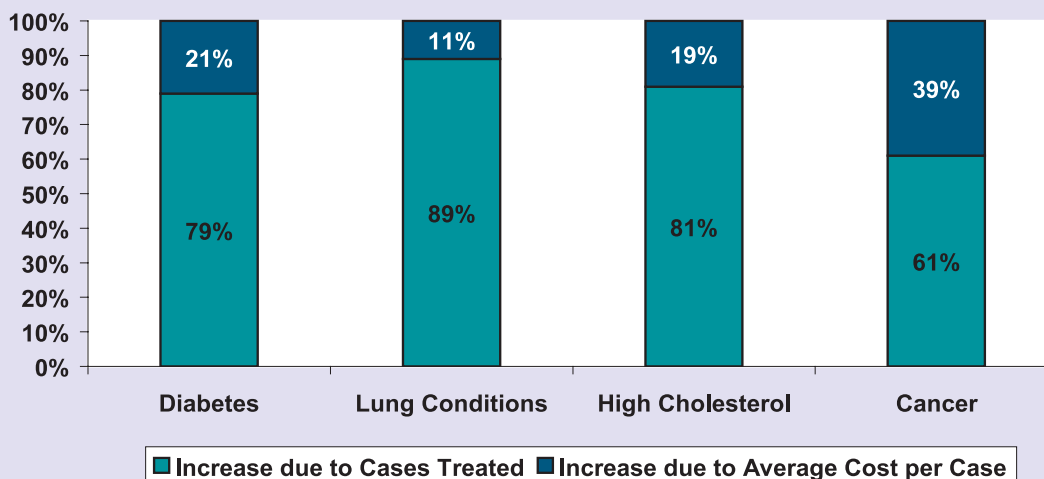
### **Demand:**

Research reported in the June 27, 2005 edition of *Health Affairs* identified increases in demand as a direct result of increased risk factors in the population, such as obesity. As an example, obesity in adults **doubled** in the last 20 years. During that same period, diabetes, which is linked to obesity, increased 53%.

The research also highlighted that more diseases are being treated because of improved medical knowledge on how to diagnose and treat disease, and because of new technologies that allow earlier detection and better outcomes.

The major conclusion of the *Health Affairs* article was that demand for treatment was a much larger factor than cost increases per service in overall health care spending. In fact, between 1987 and 2002, private health insurance spending per person increased nearly 60%; 80% of the new spending was due to higher utilization of services in treating diseases, not the average cost of those services. The diseases examined included, for example, diabetes, lung conditions, high cholesterol, and cancer.

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



### **Cost Per Service:**

Demand for treatment is not the only factor. One of the largest drivers in the increasing cost per case is technology improvements. For example, treatment associated with heart disease and heart attacks has improved, thanks to technology. However, drug-eluting stents used in surgeries on patients with heart disease cost \$7,000 each, and the tPA drug used in emergency rooms to save heart attack patients costs \$2,500 for each injection.

These types of innovations are possible due to extensive research and development, but that comes at a cost. Until recently, there hasn't been much of a financial consequence for patients getting the most expensive types of treatment. This has created a culture of consumers expecting the "best and newest" technology - today - regardless of cost. However, this may be changing as more of the financial burden is being shifted to the individual.

### X-Ray



- 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.

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

### CAT Scanner



- First used in 1973 - x-rays from multiple angles for 3-D images
- Reveals both bone and soft tissue, including organs, muscles, and tumors

**Average charge in Wisconsin for CAT scan of the spine: \$1,267.91**

### MRI



- 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.

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

## Opportunities for Improvement

U.S. companies have tried several tactics, including changing deductibles and raising co-payments and employee premiums to try to curb health care cost increases.

But these traditional tactics are yielding diminishing returns. Another approach, however, shows increasing promise for addressing the root causes of the cost spiral and for improving productivity: injecting consumerism into health plans.

Consumerism seeks to make employees more accountable, knowledgeable, and actively engaged in managing their health. Whether launched as a new plan or infused into an existing plan, consumerism aims to change employee behavior.

Consumerism strategies typically focus on managing demand by educating employees about health care and costs, and by ensuring that employees pay a more meaningful portion of the cost of care. This encourages them to make informed decisions about a broad range of health-related issues,

- from lifestyle choices (diet, exercise, smoking),
- to the type of health plan they select,
- to how (and how often) they use health care services and which providers they choose.

To succeed, consumerism strategies must engage employees and, ultimately, encourage employees to change their behavior.

## Wisconsin Hospital Association Advances Health Care Transparency

Wisconsin hospitals are preparing now for an increase in consumer participation in health care purchasing decisions. Many are able to provide price estimates on procedures and tests in advance, and all encourage patients to participate in decisions about their care...and to ask questions. This is new, and hospitals are still developing systems, but are making efforts to see that consumers have useful information for decision making.

In addition, the Wisconsin Hospital Association has two Web sites devoted to providing information on the price, quality, and safety of care provided in Wisconsin hospitals.

**[www.wicheckpoint.org](http://www.wicheckpoint.org)**

Wisconsin hospitals are committed to sharing information about the quality and safety of the health care services that they deliver in their communities. **CheckPoint** provides reliable data on over 20 interventions that medical experts agree should be taken to treat heart attacks, heart failure and pneumonia, surgical services measures, and error prevention goals. More measures will be added to this site in the future. Every acute care community hospital in Wisconsin voluntarily reports to **CheckPoint**.

**CheckPoint** Wisconsin Hospitals Accountable for Quality

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118 matches  
Measurement data are from 7/1/2004 – 6/30/2005  
Report generated 26 Apr 2006 9:56 am

**KEY**  
— No data collected at this time or no cases met criteria. [MORE INFO](#)  
+ 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. [MORE INFO](#)

Goal = ↑ Higher is better

Hospital Name and City	Heart Attack (%)					Heart Failure (%)				Pneumonia (%)				
	Aspm at Arvl	Aspm at D/C	Bblock at Arvl	Bblock at D/C	ACEI Smoke LVSD Counsl	LVF Assess LVSD Counsl	ACEI Smoke Instruct	Dischrg Assess	Oxygn Vaccine	Pneum Smoke Counsl	<4 hr			
National Average	95	95	91	94	82	88	89	79	77	55	99	56	74	73
State Average	96	97	93	95	84	93	90	81	81	59	100	67	79	83
State Benchmark (90th percentile of reported WI hospitals)	100	100	99	99	93	100	97	94	100	89	100	90	99	94
<a href="#">All Saints Medical Center (Racine)</a>	98	100	94	97	81	88	85	61	52	56	100	36	80	87
<a href="#">Amery Regional Medical Center (Amery)</a>	—	—	—	—	—	—	54	+	+	+	97	62	+	84
<a href="#">Appleton Medical Center (Appleton)</a>	100	98	99	99	93	100	95	89	100	91	100	43	100	87
<a href="#">Aspirus Wausau Hospital (Wausau)</a>	98	99	98	98	81	100	97	82	98	89	100	58	76	83

**[www.wipricepoint.org](http://www.wipricepoint.org)**

This Web site allows health care consumers to receive basic, facility-specific information about services and charges for every hospital in Wisconsin. The basic query allows users to check charges and utilization information for about 64 types of hospitalizations, representing about half of all hospital stays in Wisconsin. An advanced query provides the same information as above on all 500+ diagnosis-related groups (DRGs)\*.

\***Diagnosis-Related Group (DRG)**: a system to classify hospital cases into one of approximately 500 groups — used to determine hospital payment.

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

BASIC QUERY | COMPREHENSIVE QUERY | ABOUT | CONTACT | WHA HOME

**Meriter Hospital Inc**  
202 S Park St  
Madison, WI 53715-1599  
608-267-6210

**Normal Newborn**  
January 1, 2005 - December 31, 2005

	Selected Hospital	All Hospitals in this County	All WI Hosp. with Similar Patient Volume	All WI Hospitals
Number of Discharges:	2,802	5,469	27,084	52,814
Average Length of Stay:	2.1 Day(s)	2.1 Day(s)	2.1 Day(s)	2.1 Day(s)
Average Charge:	\$1,623	\$1,535	\$1,850	\$1,733
Average Charge Per Day:	\$762	\$733	\$870	\$826
Median Charge:	\$1,538	\$1,467	\$1,689	\$1,603

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

## Fundamental Questions That Our Society Must Address

WHA recognizes that consumerism alone will not stem the tide of health care cost increases. There are major, fundamental questions that our society must grapple with if we are to come close to solving the problem.

### ***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***

- Will policy makers continue to underfund the Medicare and Medicaid Programs?
- Will employers continue to absorb the hidden taxes brought on by this underfunding?

The health care field also recognizes its responsibility to provide the highest quality, most appropriate care possible. The Midwest Business Group on Health reported several years ago that health care costs could be reduced by as much as 25% if the health care field and society as a whole reduced inappropriate care: overuse, underuse, and misuse. WHA's CheckPoint initiative, in addition to enhancing transparency, is also meant to serve as a platform for hospitals and their physicians to improve quality by comparing their results with peers. Hospitals can then use this data to identify opportunities for improvement.

Much more needs to be done here, including the movement towards more uniformity in care delivery, such as treatment protocols, and better management of chronic diseases. But a good start has been made, with tangible results already in evidence.

## Conclusion

Health care costs are increasing, and the major causes are:

- Increasing demand due to higher disease incidence and more medical treatments for those diseases
- Technology advances
- Lack of real consumerism
- Less than optimum care
- Personal behavior leading to higher health care needs
- Societal/cultural attitudes regarding end-of-life care
- Underfunding of government programs

As the public and policy makers look for solutions to health care costs, we would encourage that they consider these causes in developing potential solutions.

