

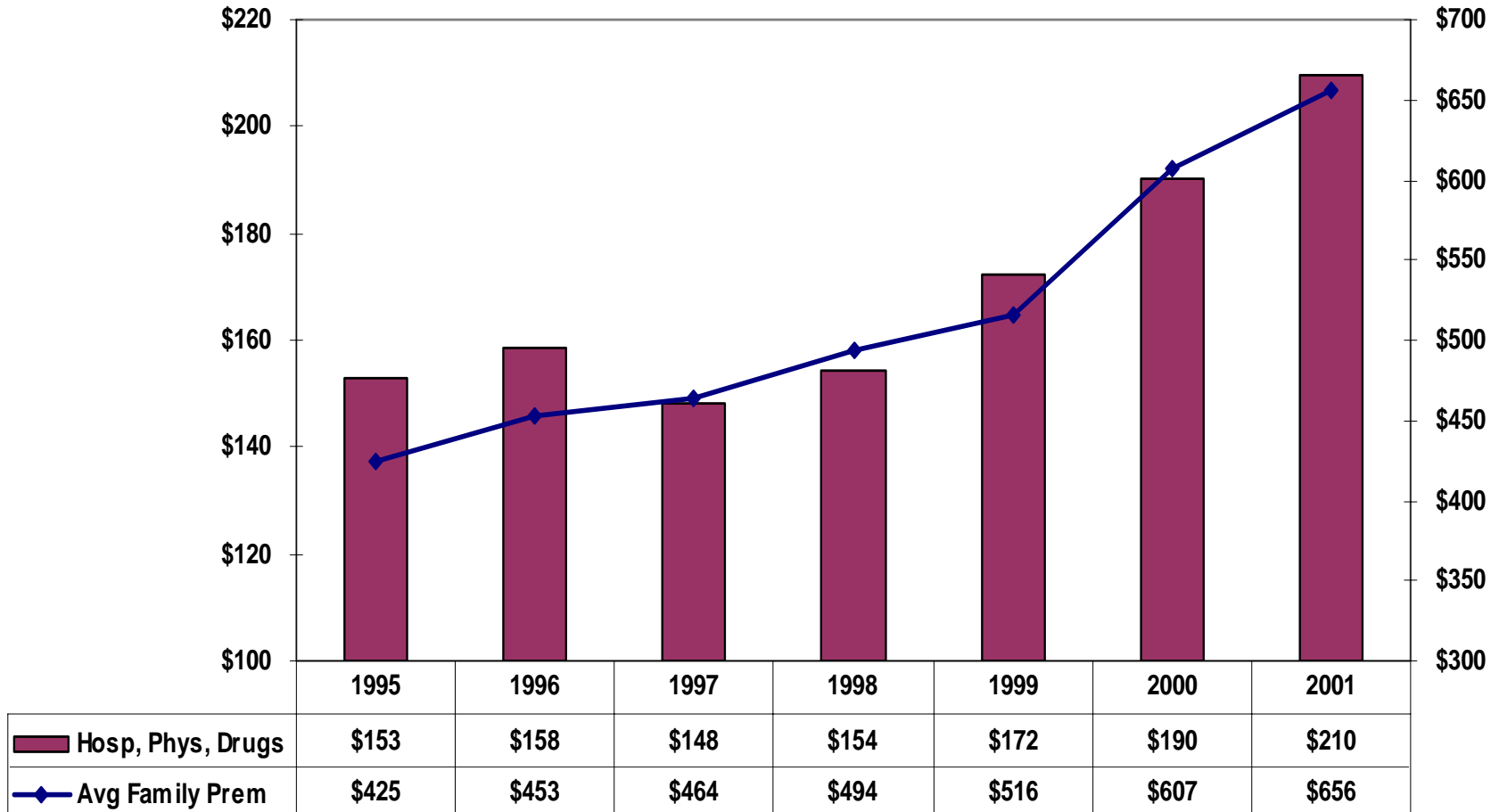
Wisconsin's Healthcare Environment

Where Are We
Now and Where
Are We Going?

Major Points

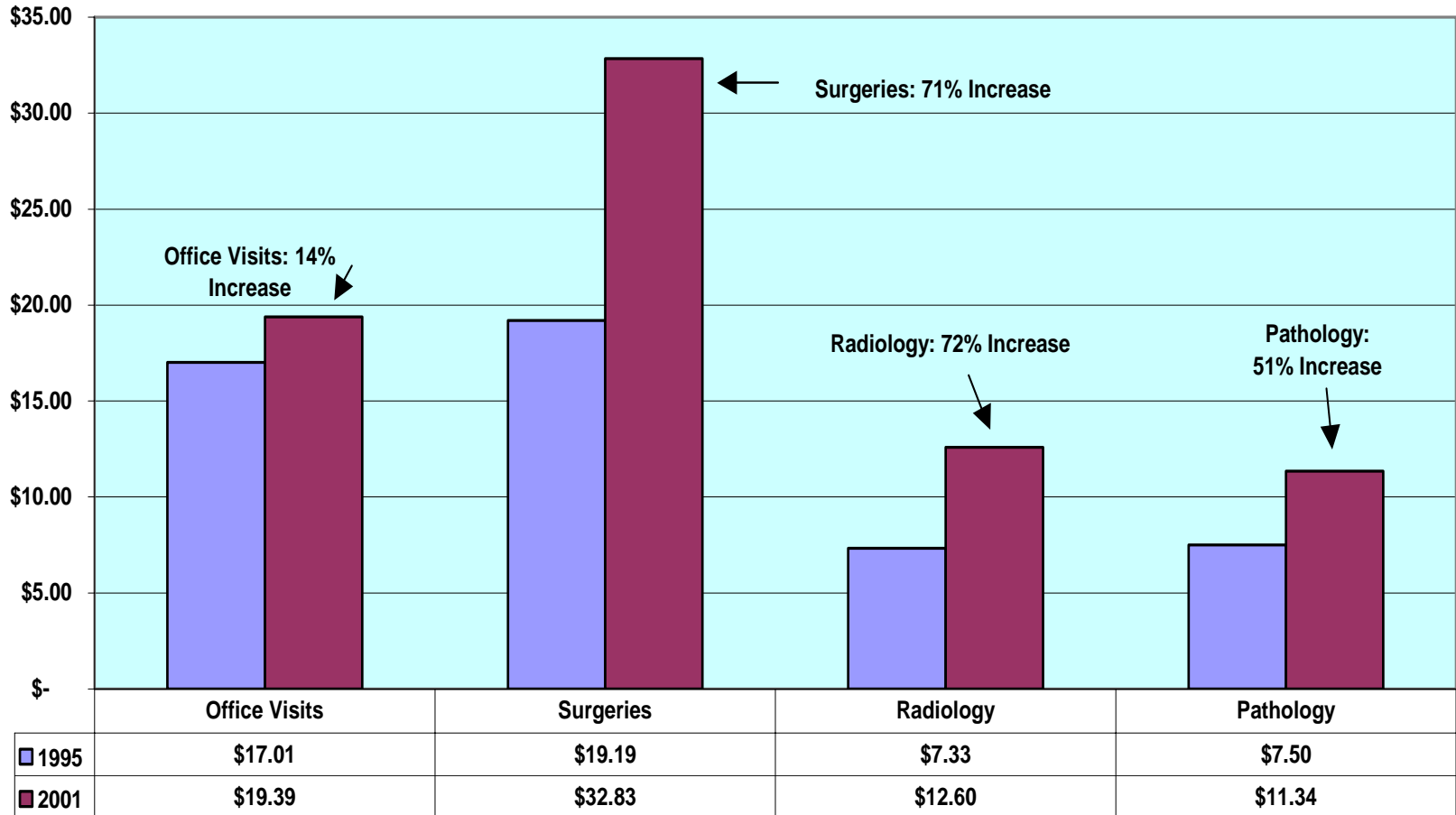
- **Overview of the Current Environment**
 - **Costs and Trends**
 - **Population and Demographics**
 - **Payers and Nonpayers**
- **Causes**
- **Questions to be Asked About the Future**

Overall Trends in Health Insurance Premiums and Major Components of Healthcare Services



Source: Milliman USA; OCI Group Health Insurance Index.
 Note: costs expressed as billed charges per insured person.

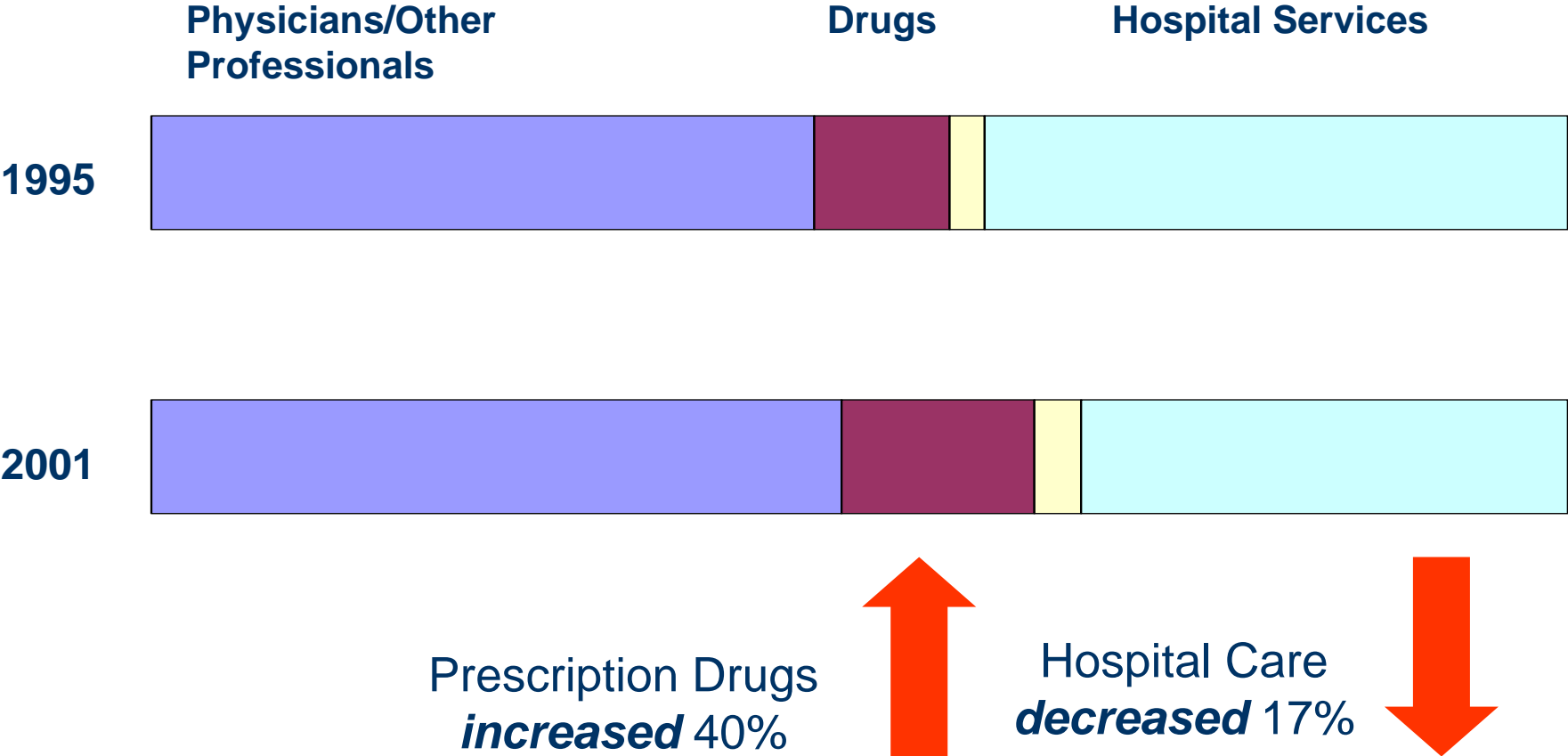
Per Member Per Month Trends in Major Components of Physician Services



Source: Milliman USA. Note: costs expressed as billed charges per insured person.

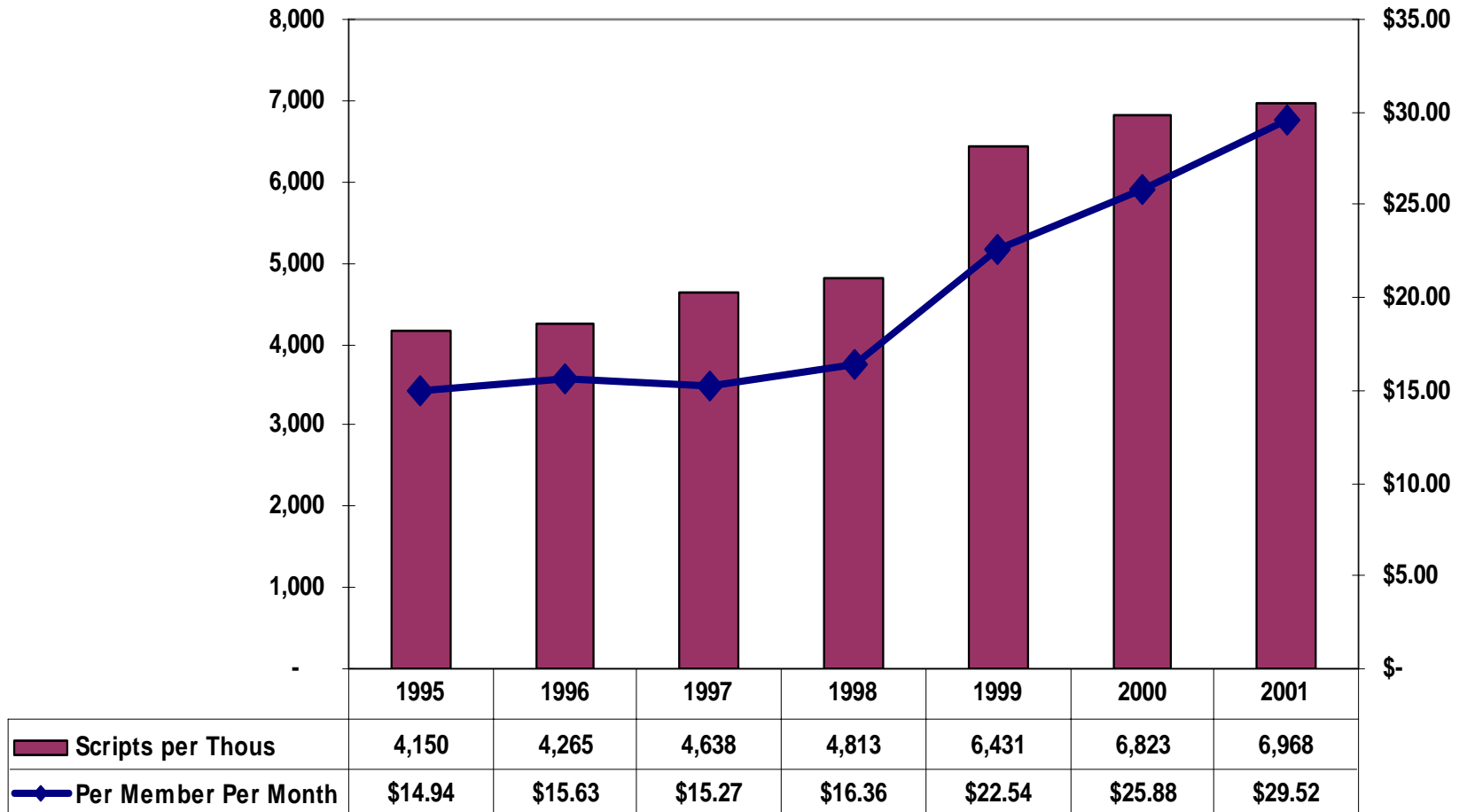
Where Health Care Dollars are Spent

1995 and 2001 – Wisconsin Totals



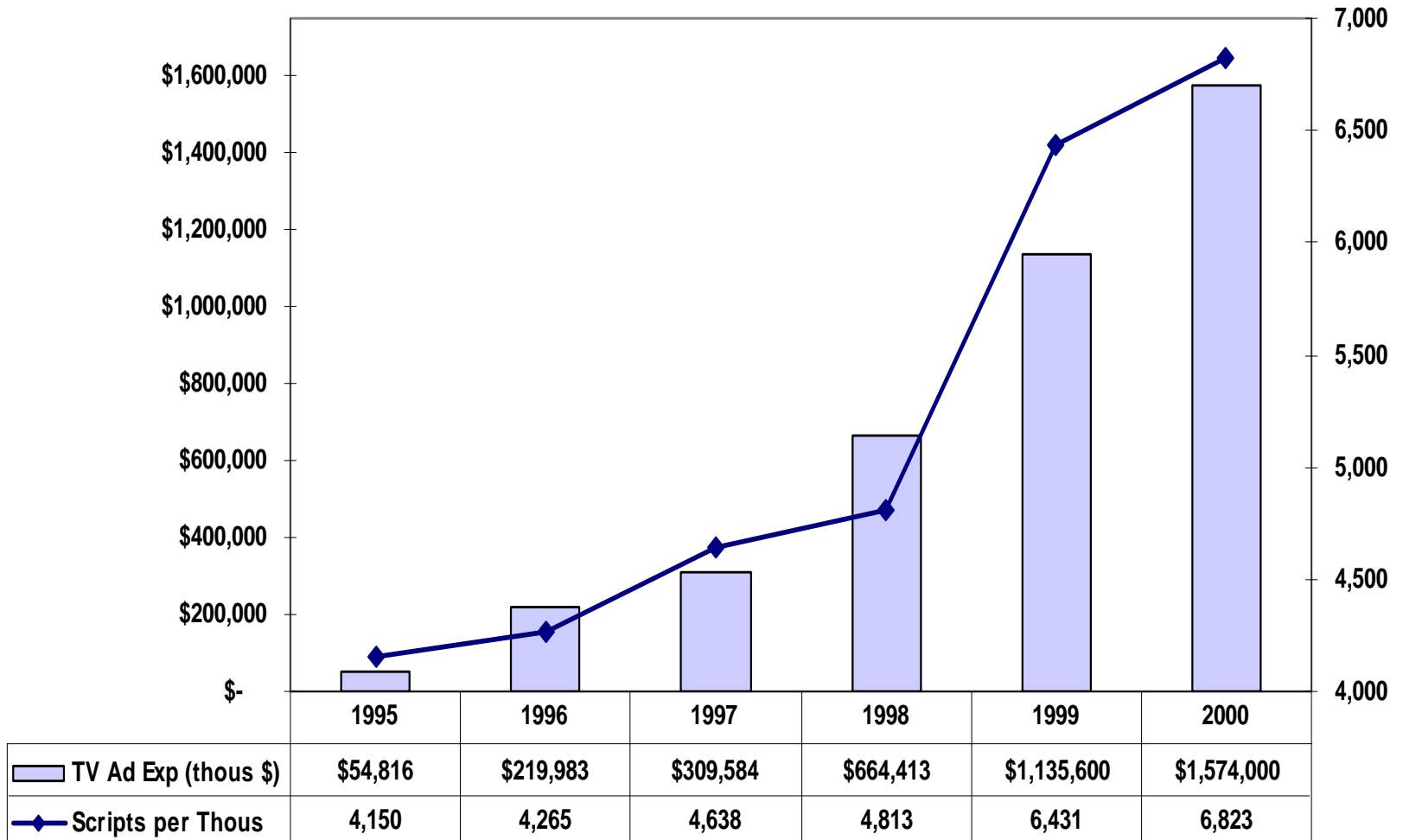
Source: Milliman USA; WHA Analysis. Expressed as billed charges

Prescription Drug Per Member Per Month Costs and Utilization Trends



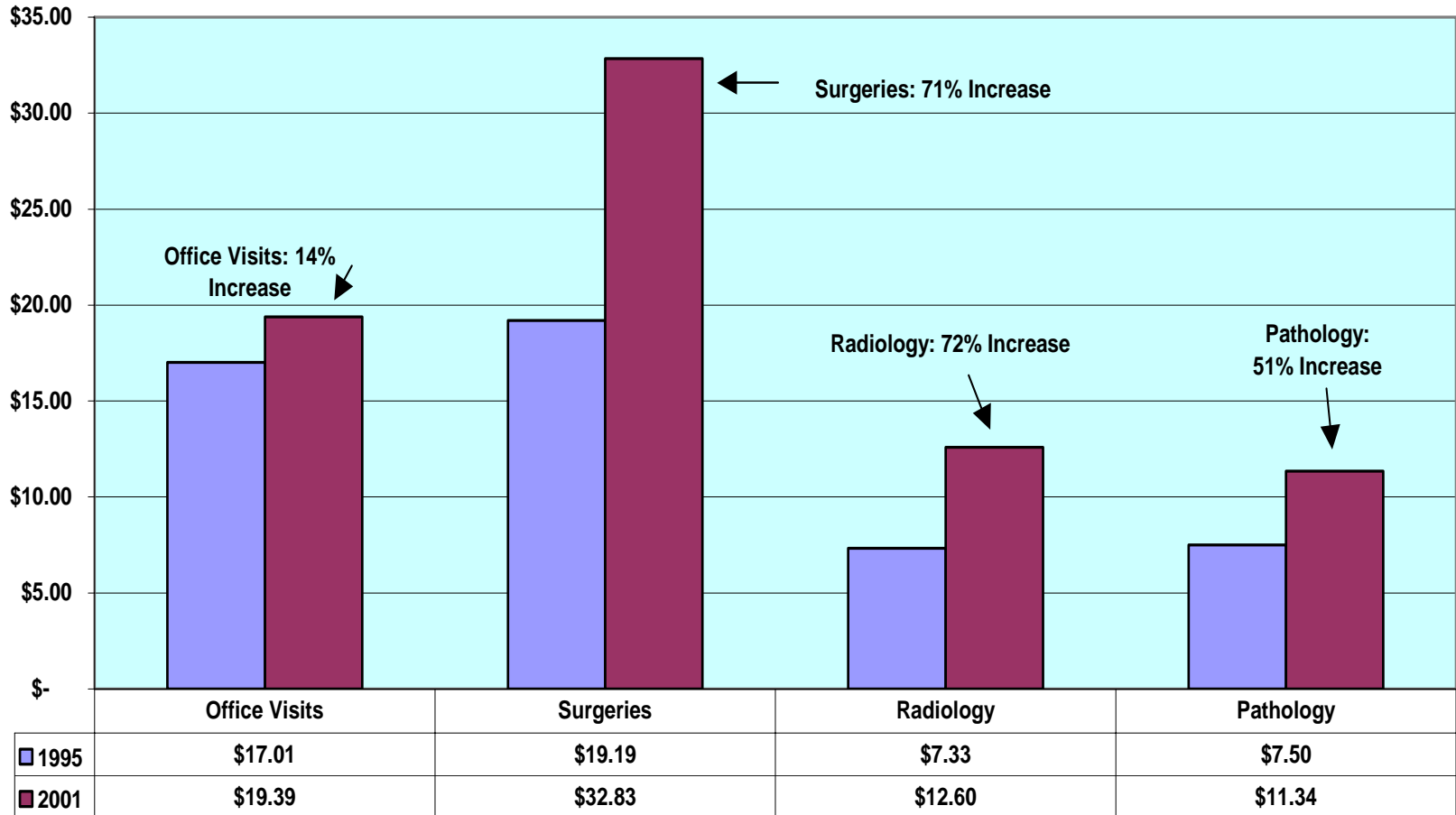
Source: Milliman USA. Note: costs expressed as billed charges per insured person.

Prescriptions Per Thousand Members Compared to TV Ad Expense



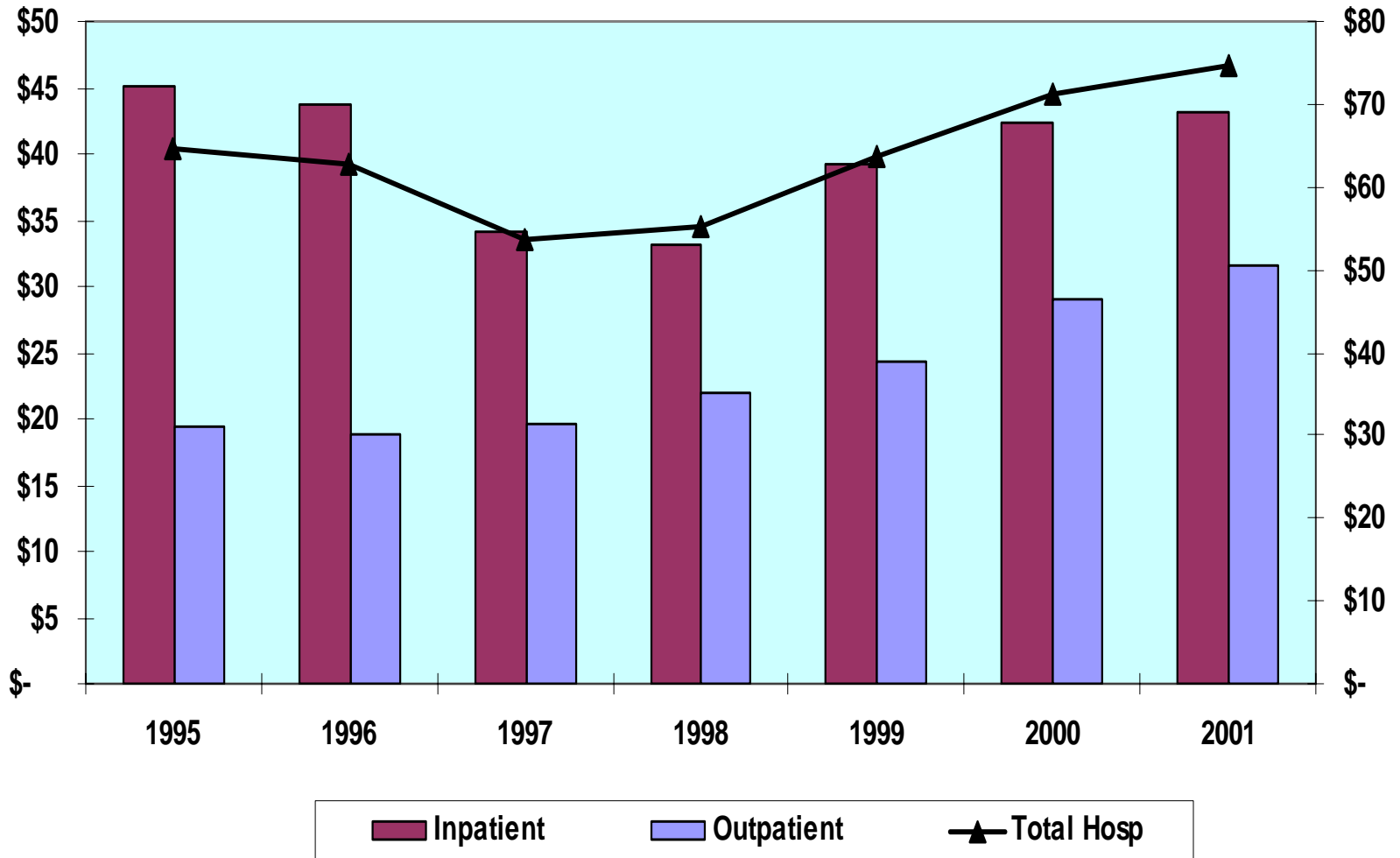
Source: Milliman USA; Kaiser Family Foundation.

Per Member Per Month Trends in Major Components of Physician Services



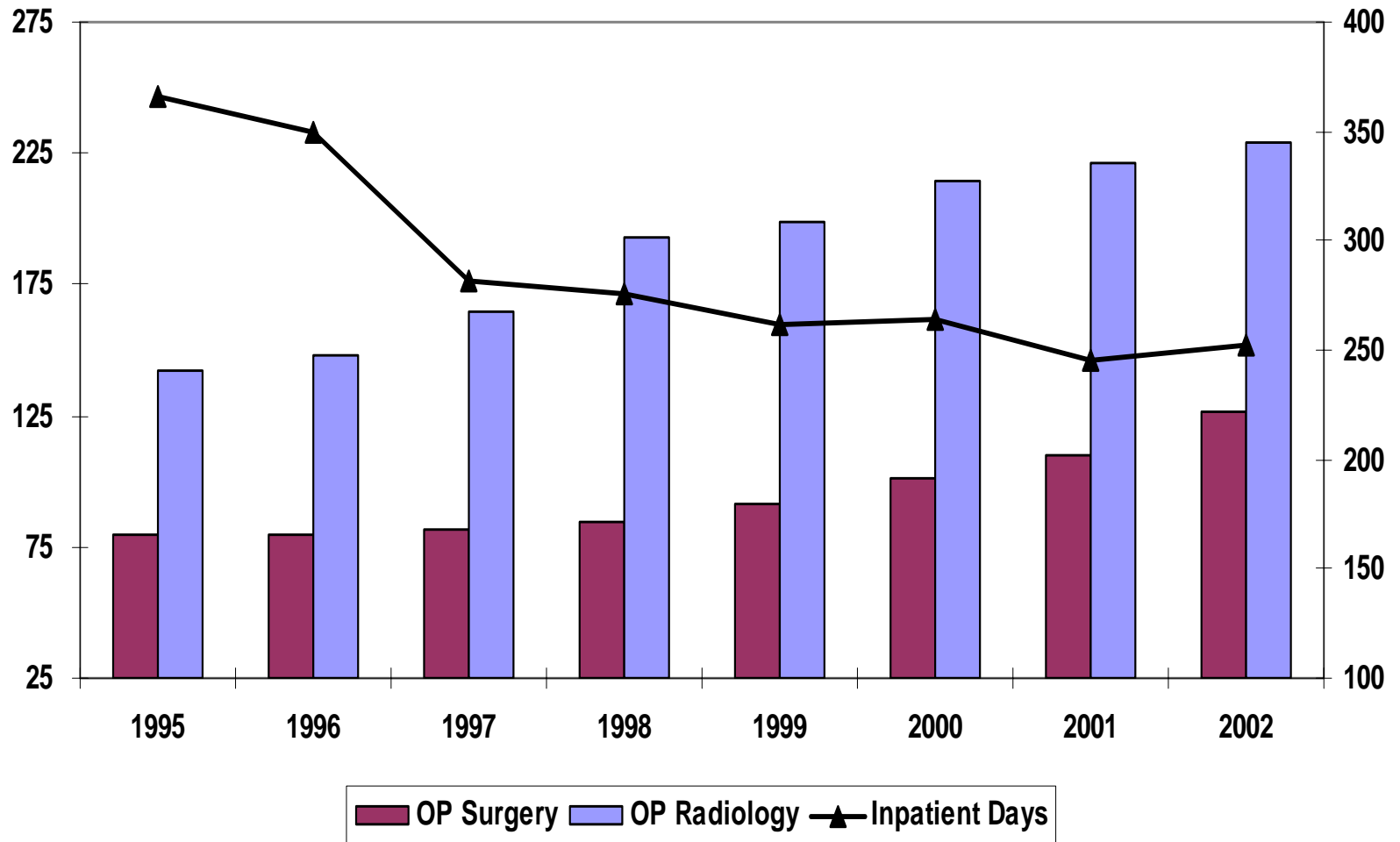
Source: Milliman USA; Kaiser Family Foundation.

Per Member Per Month Trends in Wisconsin Hospital Services



Source: Milliman USA; Kaiser Family Foundation.

Trends in Wisconsin Hospital Utilization

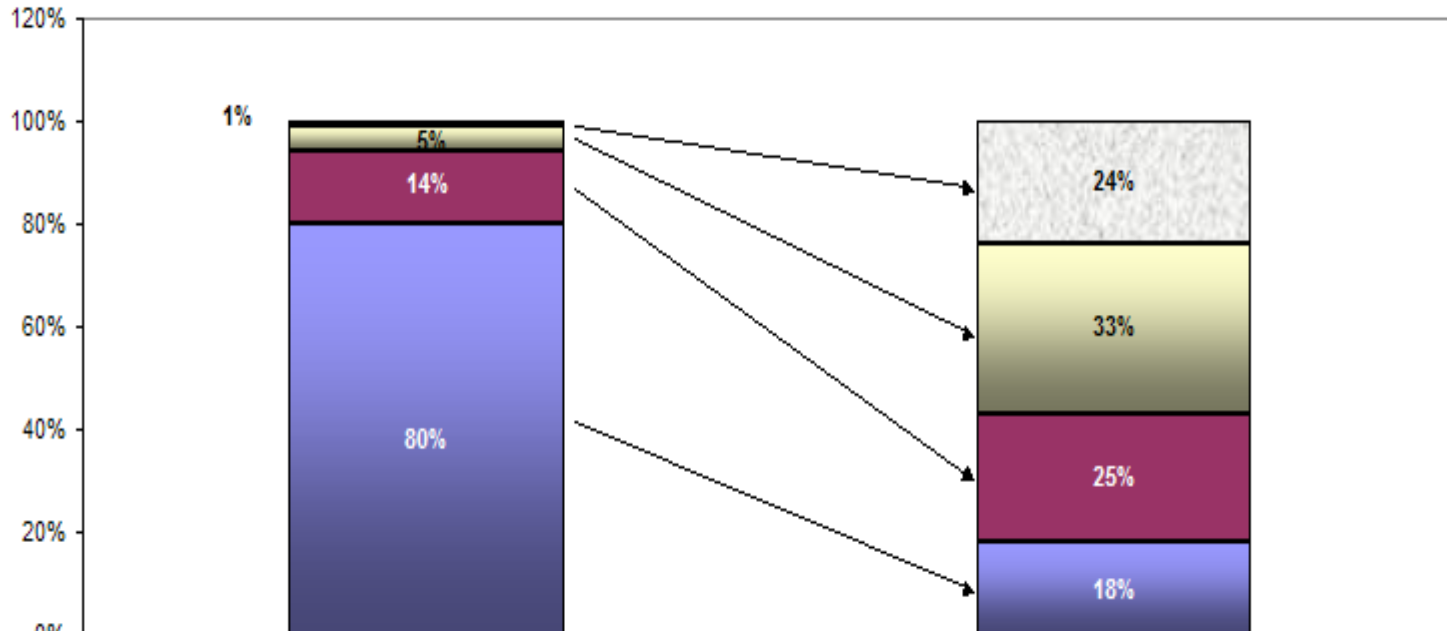


Source: Milliman USA; Kaiser Family Foundation.

Differences in Healthcare Resource Consumption – Possible Implications

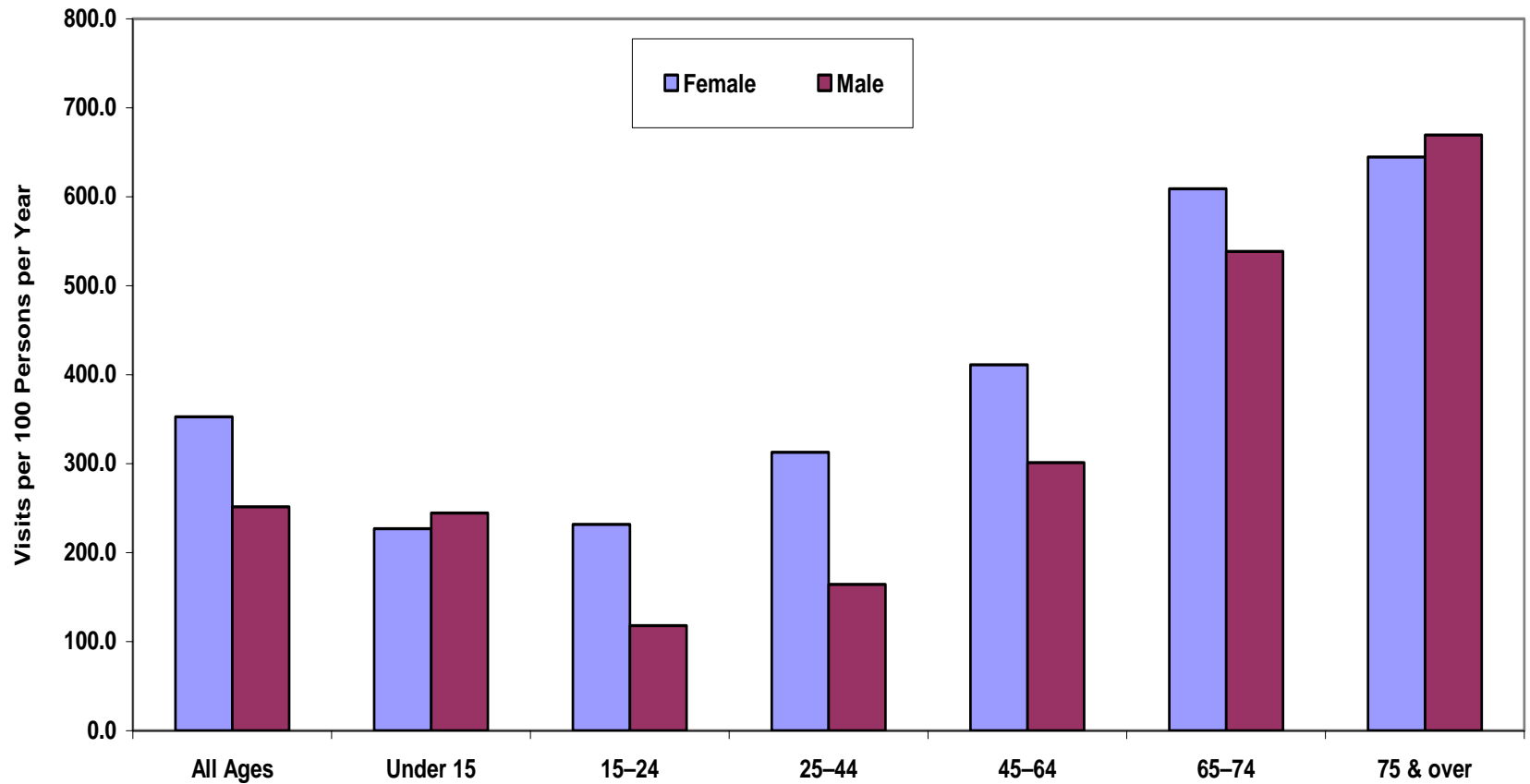
- **Percent of Population vs. Percent of Usage**
 - Those who are Well (80% of the population) use 18% of the total
 - Those who have chronic illness (5%) use 33%
 - Those who have catastrophic illness (1%) use 24%
 - Implications for policy decisions
- **Use of Services by Aging**
 - Over 45 population consume healthcare at two to three times the average
 - This population will increase by 37% in twelve years
 - Impact on the Medicare Program
 - Impact on commercial insurance

Use of Resources by Illness Category

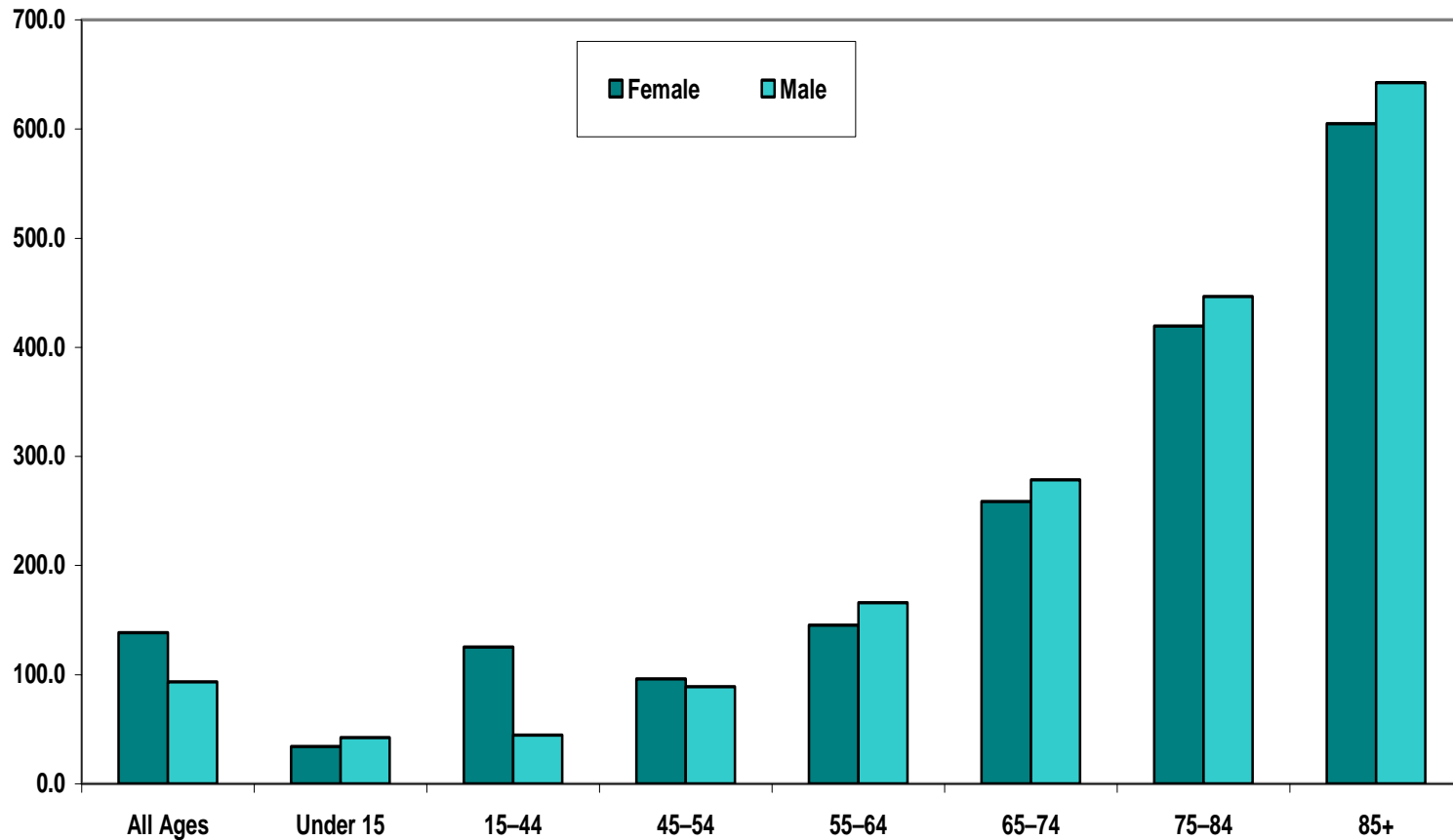


	Percent of Population	Use of Healthcare Resources
Catastrophic	1%	24%
Chronic	5%	33%
Episodic	14%	25%
Well	80%	18%

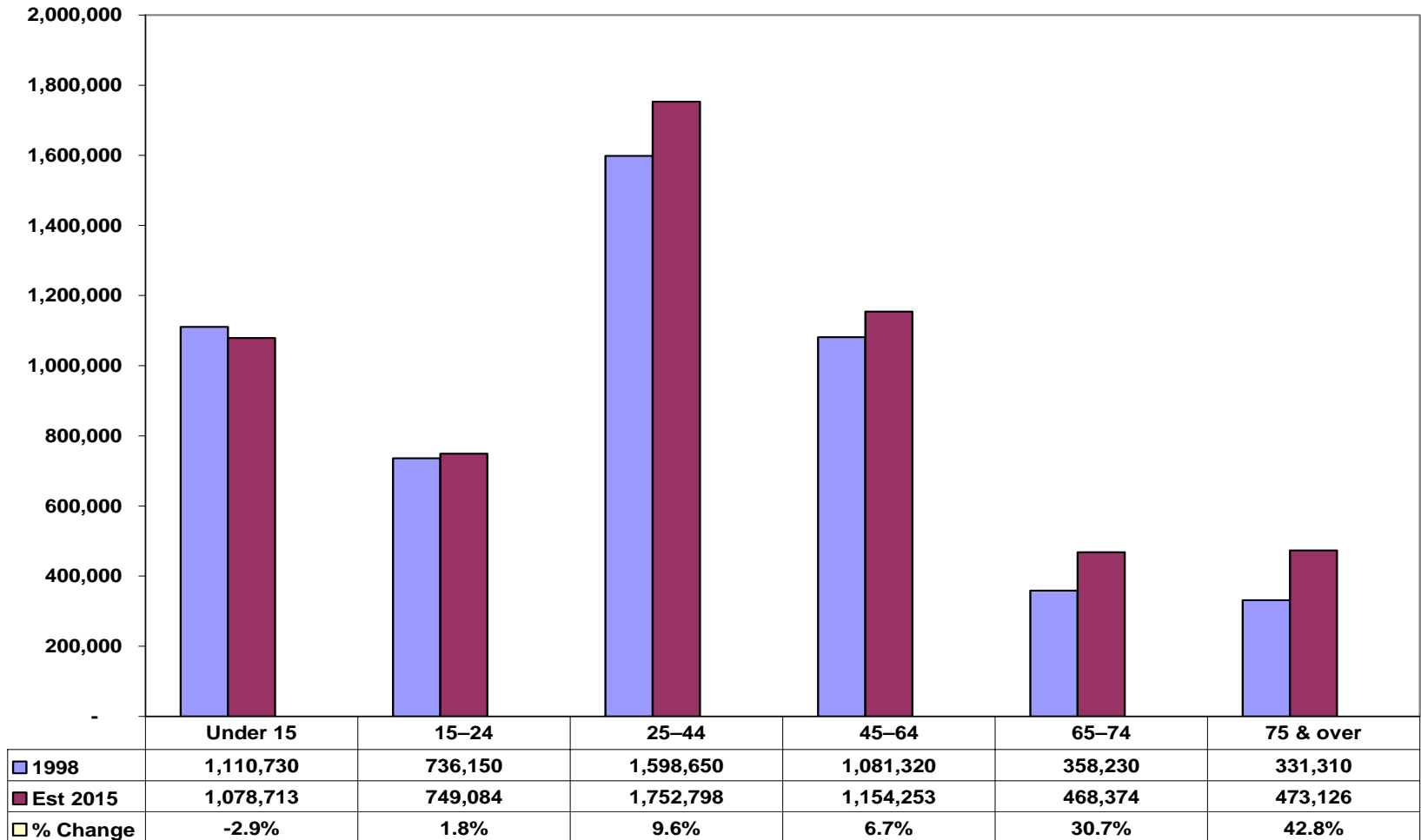
Physician Visits Per Person Per Year - 2000



Hospital Discharges Per Thousand Persons Per Year - 1998



Wisconsin Population – 1998 and 2015



Cost Drivers

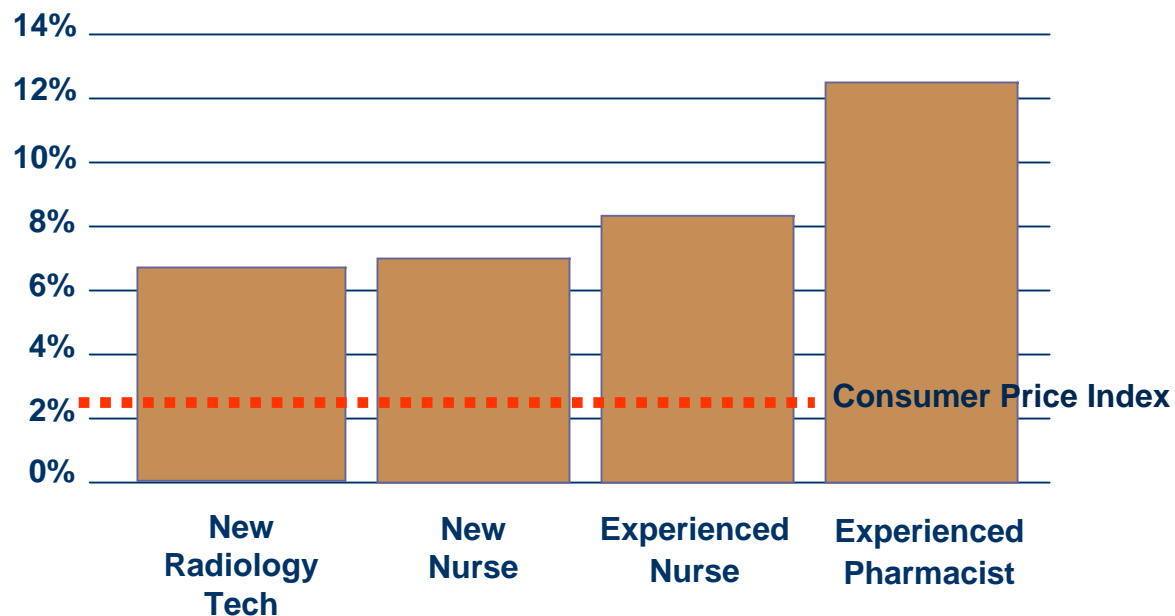
- **ADVANCES IN PATIENT CARE** – Advances in medical treatments and technologies mean higher survival rates and safer, more convenient hospital services. *These advances are costly to fund.*
- **INPUT COSTS** – Workforce shortages are driving up healthcare worker salaries at rates much higher than inflation.
- **GOVERNMENT UNDERFUNDING** – The Medicare and Medicaid programs *DRAMATICALLY* underpay their fair share of hospital expenses, forcing hospitals to shift costs to private payers.
- **EMPLOYER-SPONSORED HEALTH INSURANCE** – Lack of economic consequences for employees leads to higher consumption.
- **LESS THAN OPTIMUM CARE** – MBGH says 30% of cost of care is due to poor quality.

ADVANCES IN PATIENT CARE – Advances in medical treatments and technologies mean higher survival rates and enhanced lifestyles

Every Year, we deliver a higher level of service, enhancing lifestyles and saving lives.

- A recently enhanced surgical device, called a stent, will significantly reduce complications from heart surgery, but is *triple* the cost of existing stents.
- tPA is a hospital medication that is administered in the ER to heart attack patients. In the past, many of these patients died, but now lives are saved - at a cost of \$2,000 for each injection.
- The Medicare program has approved a new treatment for patients with severe emphysema – at a cost of \$5 billion a year.

Workforce Shortages are Leading to Significant Increases in Hospital costs

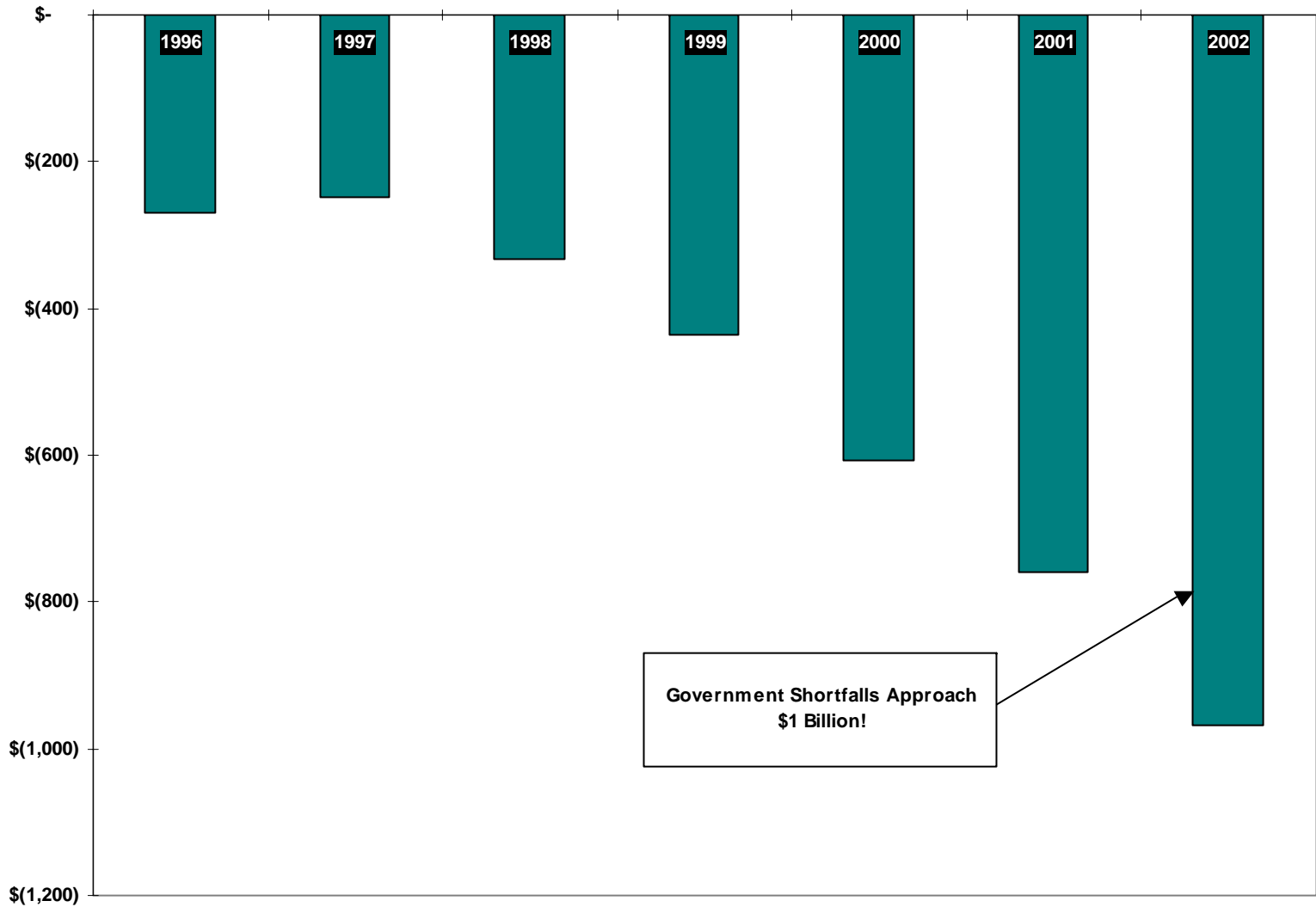


**Labor costs account for
more than 50%
of hospital spending.**

Prepared by: Wisconsin Health and Hospital Association, 2002

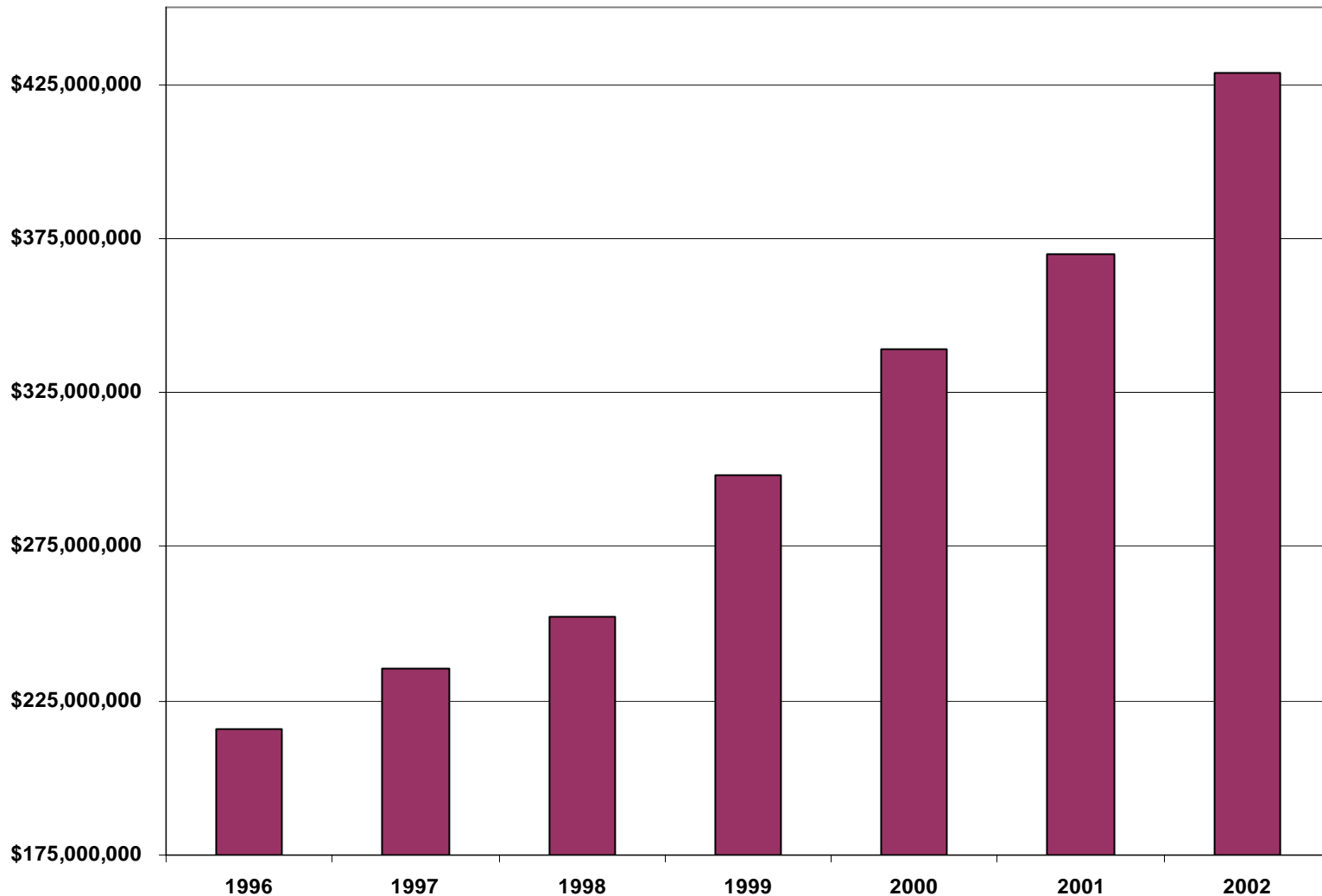
Data from WSHHRA Third Quarter 2001 Survey

Medicare and Medicaid Shortfalls Place Upward Pressure on Insurance Premiums



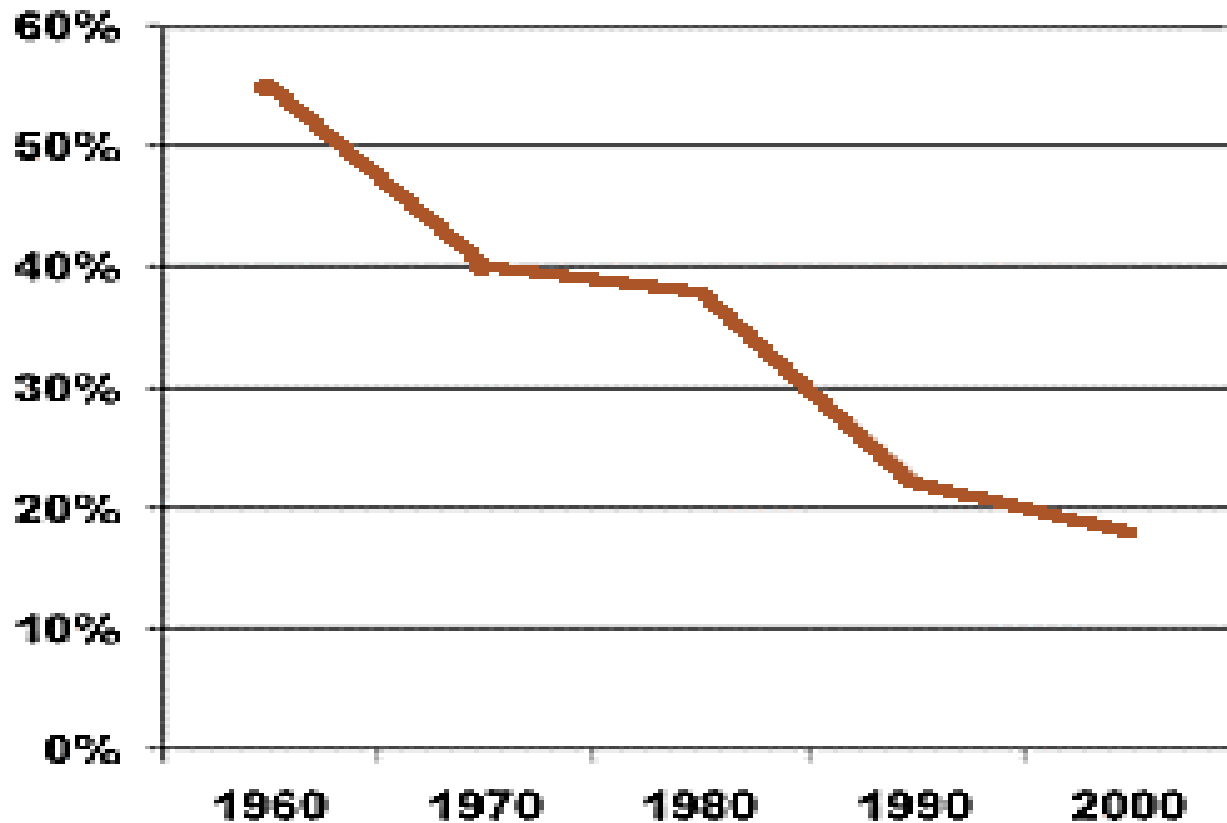
Source: 2002 BHI Fiscal Survey

...and Costs for the Uninsured in Hospitals Continue to Climb



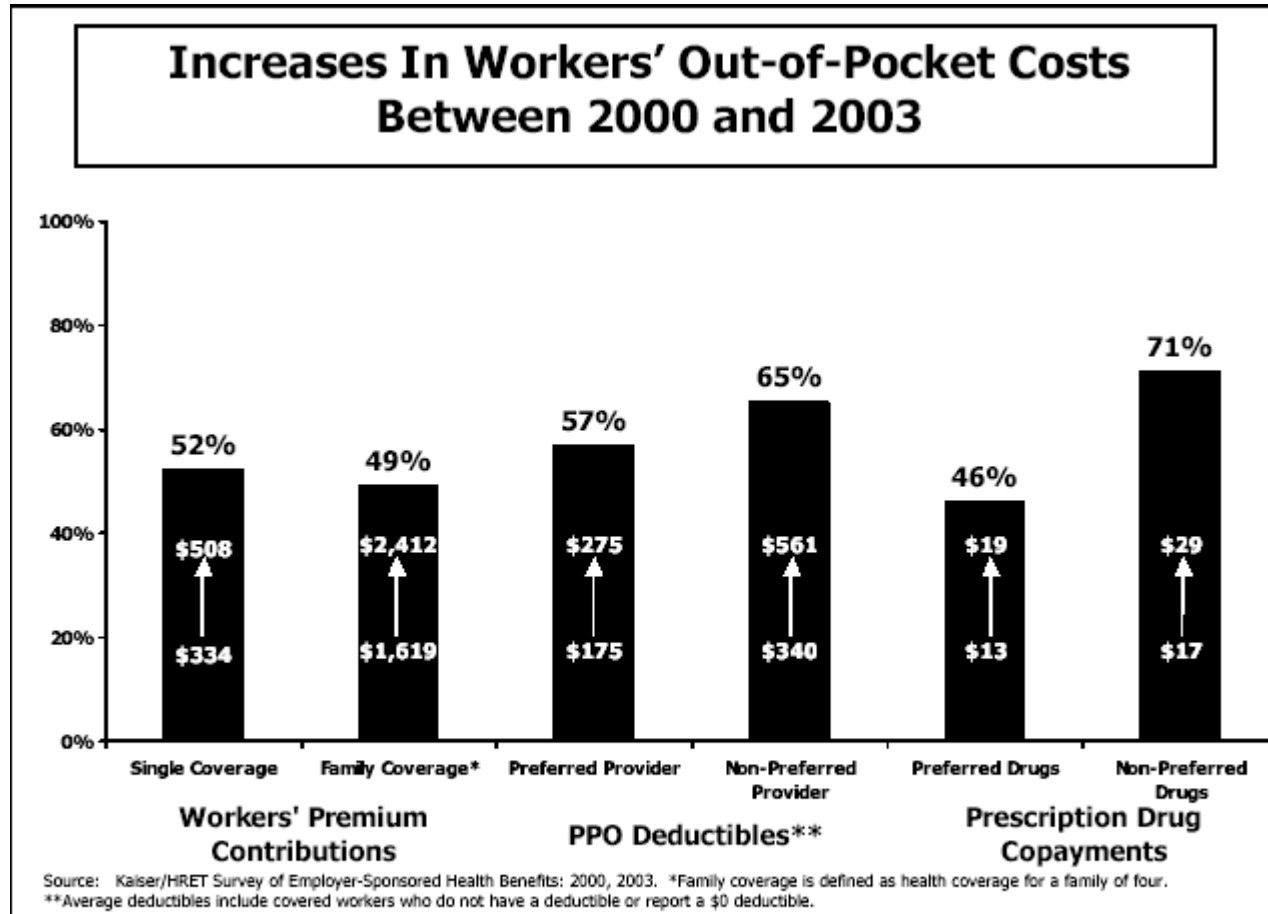
Source: 2002 BHI Fiscal Survey

Long-term Decline in Out-of-Pocket Share of Personal Health Care Spending in the US...



Source: Center for Medicare and Medicaid Services, DHHS
Note: Out-of-pocket expense excludes premium contributions

...Although This Trend is Reversing



Midwest Business Group on Health Estimates 30% of Total Costs Results from Poor-Quality Health Care

MBGH definition of poor quality includes:

- **Overuse** – “A variety of surgical procedures, tests, medications, and treatments are overused, driving up costs unnecessarily while simultaneously exposing patients to risks of complication and sometimes even death.”
- **Underuse** – “providers routinely fail to administer a variety of known-to-be effective tests and treatments to heart attack victims and individuals with diabetes and congestive heart failure.”
- **Misuse** – “Medical errors represent the most common form of misuse within the health care system, with drug misuse representing the most frequent form of error.”
- **Waste** – “Waste, primarily in the form of unnecessary administrative activities, is prevalent throughout health care, as it is in many other industries.”

Source: *Midwest Business Group on Health 2002*

Questions for the Industry and Policy Makers

Advances in Patient Care

- **Should we really do everything we can?**
- **How do other countries deal with access to technology or even basic services? What has been the impact?**

Input Costs

- **Will the shortage of healthcare workers continue?**
- **What will be the impact of technology on costs?**

Government Underfunding

- Will policy makers ever “Do the right thing”?
- Will Medicare reform take place? How will reform affect the cost of the program?
- How will the Wisconsin Medicaid Program be affected by the aging population?

Employer Sponsored Health Insurance

- How will the new defined benefit plans affect the cost of healthcare?
- Will the right incentives be put in place?
- Will employers/consumers make appropriate decisions?
- Will there be a backlash from employees?

Harris Poll on the Affect of Increased Out of Pocket Costs on Consumer Behavior

	A Lot	Some	Not Much	Not At All	Not Sure
Increase the use of less expensive and generic drugs	65	23%	5%	2%	5%
Cause people to go without health-care services that they really need	64	23	6	3	4
Cause people to go without prescription drugs that they really need	63	24	6	3	4
Harm the health of the public	54	27	9	4	6

Source: Wall Street Journal 9-3-03

Harris Poll (Part 2)

Reduce the use of health-care services that are not really necessary	36	36	14	6	8
Influence people to make better decisions about the care they really need -- or do not need	35	36	14	6	8
Reduce the use of prescription drugs that are not really necessary	36	34	16	6	9
Reduce the use of health-care services that are not really necessary	36	36	14	6	8
Influence people to make better decisions about the care they really need -- or do not need	35	36	14	6	8

Source: Wall Street Journal 9-3-03

Less Than Optimum Care

- Will consumers/payers use quality as a factor in decision making?
- Is the industry going to take a leadership role in improving quality? What will be the impact of WHA's CheckPoint program?
- Will we address evidence-based care become predominate?
- Will the infrastructure (Internet, IT) be put into place?

Other Major Questions

- Will any of the WI reform proposals (WEAC or AFL-CIO) gain significant following?
- Will small group insurance reform take place?
- What other solutions are there to solving the uninsured problem?



WISCONSIN HOSPITAL
ASSOCIATION

A Valued Voice