

**Testimony before the
Committee on Ways and Means
of the
U. S. House of Representatives
on
Government Accountability Office
Findings on Competition in the Federal Employee Health Benefits Program**

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Thank you for the opportunity to testify.

My name is George Quinn. I am Senior Vice President of the Wisconsin Hospital Association, a trade organization representing 132 acute care hospitals and health systems in Wisconsin.

I appreciate the opportunity to discuss our views regarding The General Accountability Office's (GAO) report, released in August 2005, entitled "FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM: Competition and Other Factors Linked to Wide Variation in Health Care Prices."

Focus on Wrong Area

The report has fostered significant media interest and public attention on the issue of healthcare costs. While we welcome a dialogue on this topic, we feel that the report creates a very misleading picture about healthcare costs in Wisconsin. This is because the focus is on PRICES, not total healthcare SPENDING.

The GAO report emphasizes provider prices and compares Wisconsin metropolitan areas with metropolitan areas across the nation and draws the reader to conclude that something is amiss in Wisconsin. But a reader who analyzes the entire report can come to a far different conclusion about Wisconsin health care costs using the GAO's own analysis.

Specifically, provider prices have only a marginal impact on actual spending. Unless one factors in volume of services consumed, we have an incomplete picture of dollars being spent on total health care services. It is the utilization of services that has the greatest impact on total healthcare spending. Indeed, the GAO itself states that only about one-third of total cost differences are the result of unit prices.

Illustrating our concern, the GAO concluded that the La Crosse metropolitan area is the "priciest" in the nation. But the GAO's own chart (page 55) tells a different

story. That chart ranks metropolitan areas based on **actual spending** and *no* Wisconsin metropolitan area is found among the top 20 highest spending areas in the nation. This suggests that even if unit prices in La Crosse are higher, the more effective medical management of patients leads to lower costs. Making unit prices the lead is therefore hugely misleading.

Additionally, the GAO used national preferred-provider organizations bidding on small numbers of employees in each local market. For example, in LaCrosse County, **less than one percent of all employed individuals are federal employees**. Many of the businesses located in those markets are able to obtain larger discounts because of the greater volume of employees they can deliver to a local provider.

Medicaid Cost Shifting Not Considered

In addition to this significant misinterpretation, we also believe that the GAO report is **seriously flawed** in that it fails to account for ongoing and worsening hospital and physician cost-shifting due to **Medicaid underpayment**. Wisconsin Medicaid payments are among the very worst in the country, paying providers pennies on the dollar for actual costs incurred taking care of patients. This “hidden tax” is significant but not accounted for in the GAO study. Despite this, the Centers for Medicare and Medicaid Services (CMS) ranks Wisconsin health care as among the highest quality in the nation.

Medicare Data Tells a Different Story

There is more comprehensive data that tells a much different story about health care spending in Wisconsin. The Medicare Program, which comprises a much higher percentage of healthcare spending and provides us with a very good database, shows a much different picture about healthcare spending in Wisconsin. The chart below examines Wisconsin metropolitan area Medicare spending compared to the national average.

Location	Total Annual Medicare Payments
USA	\$6,611
Wisconsin Total	\$5,407
Appleton	\$4,364
Eau Claire	\$5,783
Green Bay	\$4,819
La Crosse	\$4,444
Madison	\$5,213
Marshfield	\$5,779
Milwaukee	\$5,995
Neenah	\$4,974
Wausau	\$5,150

The following details help illustrate the differences:

- ✓ Wisconsin hospital discharges per 1,000 Medicare enrollees are 9 percent lower than the national average (317 days vs. 347 days).
- ✓ Wisconsin Part B (physician and hospital outpatient) Medicare payments per beneficiary total \$560 annually compared to the national average of \$751. That's a 25 percent differential.
- ✓ Wisconsin Part A (inpatient hospital) payments per Medicare beneficiary annually total \$2,229 compared to the national average of \$2,706...an 18 percent differential.
- ✓ Finally, to repeat, total annual Medicare spending in Wisconsin is at \$5,407 vs. the national average of \$6,611...an 18 percent differential.

The differences between Wisconsin and the National average are quite wide, and result from the very conservative medical practice common in our state. Relatively low utilization of health care services resulting from judicious medical practice patterns drives variation in spending. Provider prices should not be confused with actual health care spending.

Wisconsin Hospitals and Physicians Embrace Transparency

As I demonstrated above, Wisconsin hospitals and physicians are committed to providing efficient, high quality patient care. In addition, we stand ready to help facilitate the movement toward consumer-driven healthcare. That's why we have become a recognized national leader in the emergence of private sector initiatives that provide relevant quality and financial performance data in anticipation of a more consumer-driven health care environment.

WHA's CheckPoint program, which provides public reporting of quality information, and our PricePoint website, which gives consumers information on charges and other hospital financial information, demonstrate that we believe that improving health care quality, safety and efficiency will lead to a more market-oriented environment.

In conclusion, let me restate our interest in having a fruitful dialogue on the issue of healthcare costs. While we may differ on the effectiveness of this particular study, we remain enthusiastic about moving that discussion forward.

Thank you.