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additional resources available at [www.wha.org](http://www.wha.org)

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## 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 suggestionactions 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.

### The Issue

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 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 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.

#### Cost Per Service:

But 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 ERs to save heart attack patients costs \$2,500 for each injection

These types of innovation 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



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of treatment. This has created a culture of consumers expecting the “best and newest” technology – today – regardless of cost. However, this maybe changing as more of the financial burden is being shifted to the individual.

### Opportunities for Improvement

U.S. companies have tried different 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 (e.g., 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.

### WHA Position

#### 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.

<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 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**.

<http://www.wipricepoint.org>

This Web site allows health care consumers to receive basic, facility-specific information about services and charges. 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. Charge and utilization data is also available for high volume outpatient procedures through **PricePoint**.



### Issues That Society Must Address

WHA recognizes that consumerism alone will not stem the tide of health care cost increases. There are 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.



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### **Related Resources**

#### **WHA Website**

[http://www.wha.org/financeAndData/health\\_care\\_costs.aspx](http://www.wha.org/financeAndData/health_care_costs.aspx)

**Paper: Hospitals Focused on Cost Reduction While Improving Quality and Value (posted March 2008)**  
<http://www.wha.org/financeAndData/pdf/HospitalsReducingCosts-2008.pdf>

