

Report to the Greater Milwaukee Business Foundation on Health

Key Factors Influencing 2003 – 2012
Southeast Wisconsin Commercial Payer
Hospital Payment Levels

Presented by:

Keith Kieffer, CPA, RPh
Management Consultant

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Table of Contents

	Page
Study Background and Objectives	3
Study Parameters	5
Summary of Results	10
Hospital Commercial Payment Comparisons	13
Hospital Operating Cost Comparisons	29
Distribution of Hospital Cost Shift Burden	41
Commercial Market Concentration	52
Caveats and Use of this Report	63
Supplemental Information	Appendix

Background

- An initial study based on 2003 data for Milwaukee, Ozaukee, Washington, and Waukesha counties identified interplay of the following factors as contributing to the Milwaukee area's high health care costs:
 - Health system commercial market concentration
 - Hospital operating cost levels
 - Distribution of cost shift burden among health systems
 - Fixed hospital payment methods
 - Commercial payer market concentration
- Previous studies measured changes in average hospital commercial payment levels and 3 of the 5 factors for an expanded 7 county area from 2003 through 2010
 - Data to measure fixed payment methods and commercial payer market concentration was not available for any of the studies

2012 Study Objectives

- This study provides updated measures through 2012 for each measure in the previous studies
 - Average hospital commercial payment levels
 - Hospital operating cost levels
 - Distribution of cost shift burden among health systems
 - Health system commercial market concentration
- Measure change in each measure from 2003 through 2012
 - Emphasis is on results for 2010, 2011 and 2012

Study Parameters

Data Sources

- Wisconsin Hospital Association (WHA) Information Center:
 - FY 2003 - 2012
 - Wisconsin Hospital Fiscal Survey
 - Wisconsin Hospital Inpatient Discharge Data
- United States Bureau of Labor Statistics
 - Hospital Component of Consumer Price Index (Hospital CPI)
 - Hospital Producer Price Index (Hospital PPI)
- Centers for Medicare and Medical Services
 - Hospital Market Basket (CMS Market Basket)
 - CMS-DRG weights
 - Medicare 5% sample data set

Included Hospitals and Health Systems

- Limited to health systems with substantial adult, acute care inpatient hospital operations in the following counties:
 - Milwaukee
 - Kenosha
 - Racine
 - Ozaukee
 - Washington
 - Walworth
 - Waukesha
- Includes specialty hospitals (Orthopedic Hospital of Wisconsin (CSM), Wisconsin Heart Hospital, and Midwest Orthopedic Specialty Hospital (Wheaton))
- Excludes Psychiatric, Rehabilitation, and LTAC hospitals
- Excludes Children's Hospital of Wisconsin

Included Hospitals and Health Systems *(continued)*

- Hospital information from the following health systems was used as the basis for the comparisons:
 - Aurora Health Care (Aurora)
 - Columbia St. Mary's (CSM)
 - Froedtert Health (FH)
 - ProHealth Care (ProHealth)
 - United Hospital System (United)
 - Wheaton Franciscan Healthcare (Wheaton)
- Mercy Health Services (Lake Geneva and Janesville) and Columbia Center (Mequon) included for health system market concentration comparisons **ONLY**

2012 Study Interpretation Considerations

- The same hospitals were included in the 2010 - 2012 analyses
- As a result of the FY 2009 merger between SynergyHealth and Froedtert Health, the financial measures in the study have been combined and reported as “FH” results for 2003 through 2012:
 - Hospital commercial payment levels
 - Hospital operating cost levels
 - Distribution of cost shift burden among health systems
- SynergyHealth and Froedtert Health market concentration is reported on a combined basis for 2009-2012 **ONLY**
- Since the release of our previous studies, certain information sources have changed and additional information has become available. Certain 2003 measures have been modified from those presented in our previous reports to be consistent with our analysis of 2009 through 2012 data.

Summary of Results

Summary of Results

- From 2003 through 2012, the increase in average Southeast Wisconsin hospital commercial payment levels (37%) was approximately 50% the rate of increase in the Hospital CPI (75%)
 - Almost all of the SE Wisconsin increase occurred from 2003 to 2009
 - The total increase from 2009 through 2012 was only about 3.3%
- Southeast Wisconsin hospital operating costs have also increased at a substantially slower rate than national indices during the same period, particularly in recent years
 - Annual increases in Southeast Wisconsin per-unit hospital costs averaged less than 2% from 2003 through 2012
 - The total Southeast Wisconsin hospital per-unit cost increase from 2009 through 2012 was less than 1%

Summary of Results *(continued)*

- The average impact of government payment shortfalls and other cost shift burdens on commercial payment levels has remained relatively stable during the study period
 - Cost shift burdens from all sources account for almost 35% of the total cost of hospital commercial services in 2012
 - Cost shift burdens from non-governmental sources are increasing as a percentage of total cost shift burdens
- After several years of increasing levels of health system commercial market share concentration, the addition of new hospitals and other market changes appear to have caused reductions in the average Southeast Wisconsin “predominant” health system market shares in recent years
 - Significant changes in the relative levels of health system competition for commercial patients have occurred in recent years

Hospital Commercial Payment Comparisons

Hospital Commercial Payment Comparisons – *Methods*

- Comparisons of total net commercial revenues (billed amounts after contractual discounts) as reported in the Wisconsin State Hospital Fiscal Survey, including:
 - Average commercial inpatient payments per case mix adjusted discharge,
 - Average commercial hospital outpatient payment levels as a percentage of Medicare payment levels, and
 - Average composite (blended inpatient and outpatient) commercial payment levels relative to the market average

Hospital Commercial Payment Comparisons – *Methods* (continued)

- Average Southeast Wisconsin hospital commercial payments were converted to per-unit payment levels using “Adjusted Equivalent Discharges” (AED) to adjust for differences in:
 - Inpatient case mix and severity
 - Relative blend of inpatient / outpatient business
 - Outpatient service mix
- Changes in Southeast Wisconsin average payment levels were compared to changes in the Hospital Component of National Consumer Price Index (Hospital CPI)
 - Hospital CPI represents the annual change in hospital payments from commercial payers

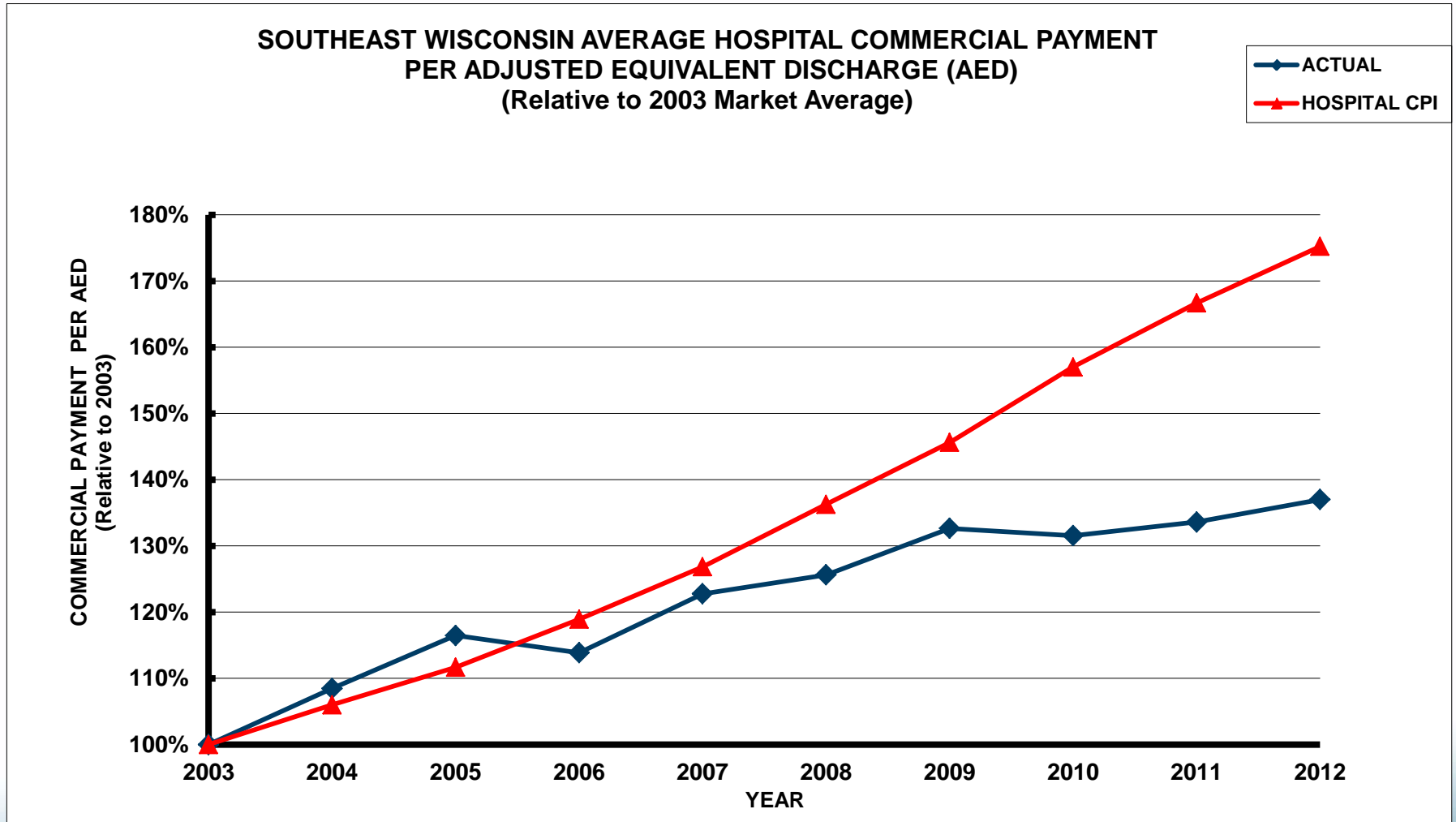
Causes of Changes in Average SE Wisconsin Hospital Commercial Payment Levels

- Changes in SE Wisconsin average commercial payment levels are at least partially due to changes in contracted payment rates
- Shifts of commercial patients among hospitals with different average payment levels (among or within health systems) is also a major factor from 2003 – 2012 in SE Wisconsin
- Other potential causes of changes in average payment levels include the following:
 - Changes in payment rate structures (discounted charges, fee schedules, population based payments, etc.)
 - Changes in performance under incentive payment programs
 - Service mix changes if average payment rates differ among services

Hospital Commercial Payment Change Comparisons – *Aggregate Results*

- From 2003 through 2012, the increase in average Southeast Wisconsin hospital commercial payment levels (37%) was approximately 50% the rate of increase in the Hospital CPI (75%)
 - Average annual increase for SE Wisconsin Hospitals was approximately 3.5% vs. Hospital CPI of approximately 6.5%
- The lower increases in Southeast Wisconsin payment rates have mostly occurred since 2007
 - The total increase in average payment levels for Southeast Wisconsin hospitals from 2009 through 2012 was 3% (about 1% annually)
 - The average Southeast Wisconsin hospital commercial payment increase from 2011 to 2012 was 2.5%

Average SE WI Hospital Commercial Payments vs National Hospital CPI

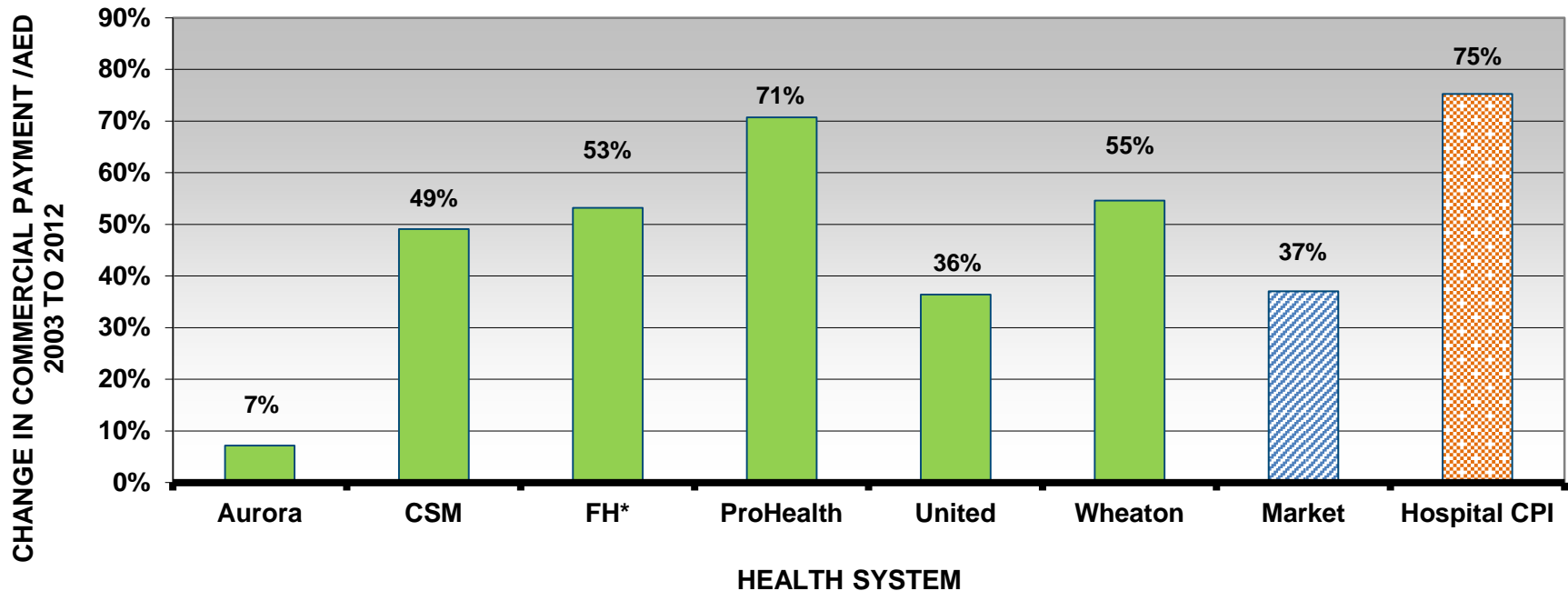


Health System Hospital Commercial Payment Change Comparisons

- Each Southeast Wisconsin Health System's aggregate commercial payment level increase from 2003 - 2012 was below the Hospital CPI during this period
 - Aurora's average payment rates only increased 7% during this period
 - ProHealth's average payment rate increase was marginally below Hospital CPI for the period
 - All other Southeast Wisconsin Health Systems had aggregate increases ranging from roughly 50% to 75% of the Hospital CPI
- Hospital payment rate increases have also been low in recent years
 - Aurora's payment rates decreased 7% from 2009 through 2012
 - CSM, Froedtert, United, and Wheaton increases were also significantly below Hospital CPI from 2009-2012
 - ProHealth and United average hospital payment levels were essentially unchanged from 2011 to 2012

Aggregate Southeast Wisconsin Hospital Commercial Payment Increases (2003 – 2012)

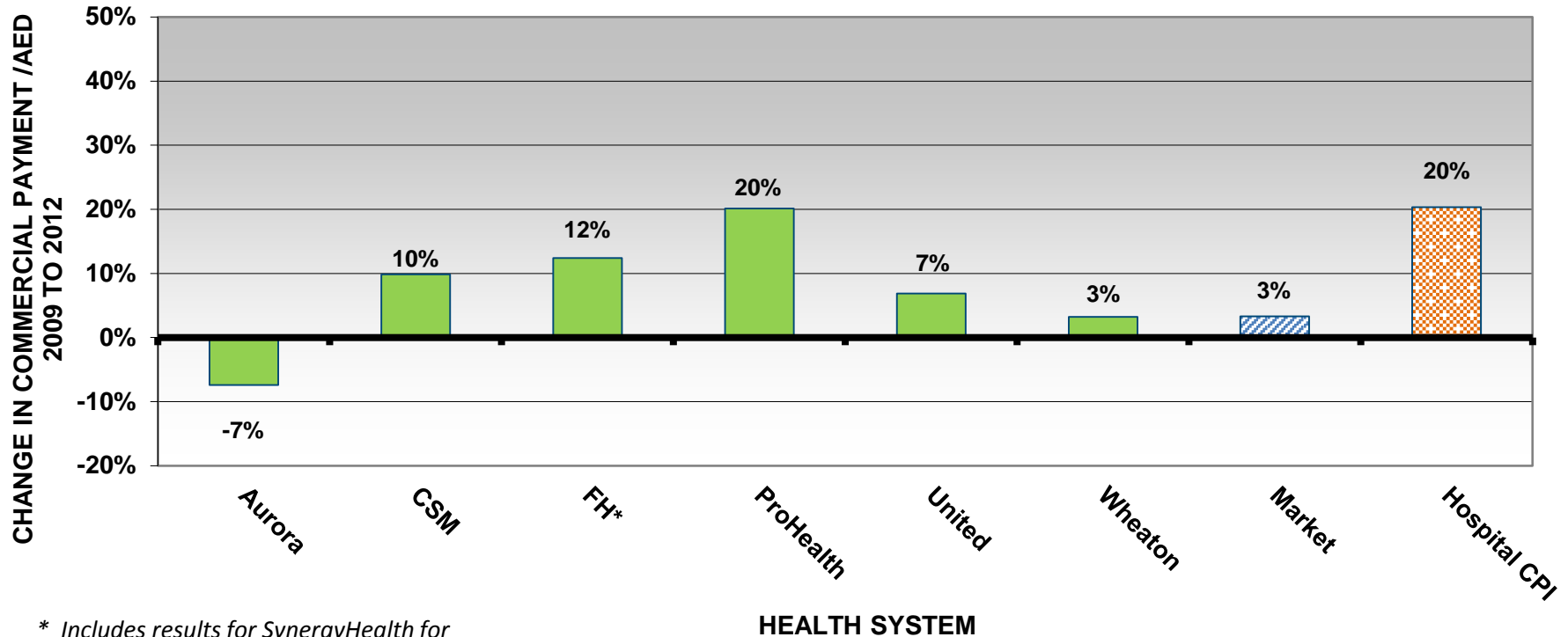
SOUTHEAST WISCONSIN HEALTH SYSTEM
COMMERCIAL PAYMENT PER ADJUSTED EQUIVALENT DISCHARGE (AED)
(Percentage Increase from 2003 to 2012)



* Includes results for SynergyHealth for all years

Aggregate Southeast Wisconsin Hospital Commercial Payment Changes (2009 – 2012)

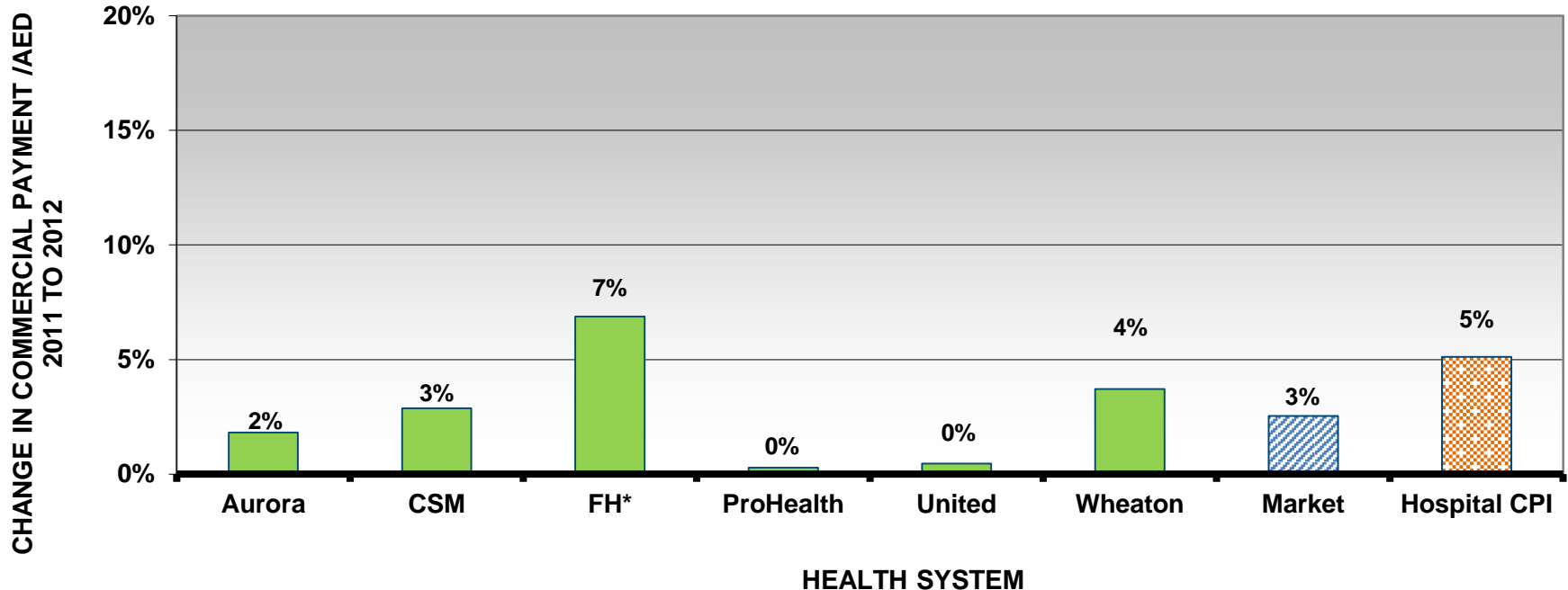
SOUTHEAST WISCONSIN HEALTH SYSTEM
COMMERCIAL PAYMENT PER ADJUSTED EQUIVALENT DISCHARGE (AED)
(Percentage Increase from 2009 to 2012)



* Includes results for SynergyHealth for all years

Aggregate Southeast Wisconsin Hospital Commercial Payment Changes (2011 – 2012)

SOUTHEAST WISCONSIN HEALTH SYSTEM
COMMERCIAL PAYMENT PER ADJUSTED EQUIVALENT DISCHARGE (AED)
(Percentage Increase from 2011 to 2012)



* Includes results for SynergyHealth for all years

Health System Hospital Commercial Payment Level Comparisons – *Methods*

- Total inpatient hospital net commercial revenues were converted to per-unit payment levels using inpatient commercial discharges adjusted for differences in inpatient case mix
- Outpatient hospital commercial payment levels were estimated as a percentage of each hospital's average Medicare outpatient payment levels
- Composite commercial payment levels were developed by blending each health system's relative inpatient and outpatient payment levels (compared to market averages) using the market average mix of commercial inpatient and outpatient billed charges
 - Blend of approximately 37% inpatient / 63% outpatient in 2012
 - Blend was 44% inpatient / 56% outpatient in 2003

2012 Health System Hospital Commercial Payment Level Comparisons - *Results*

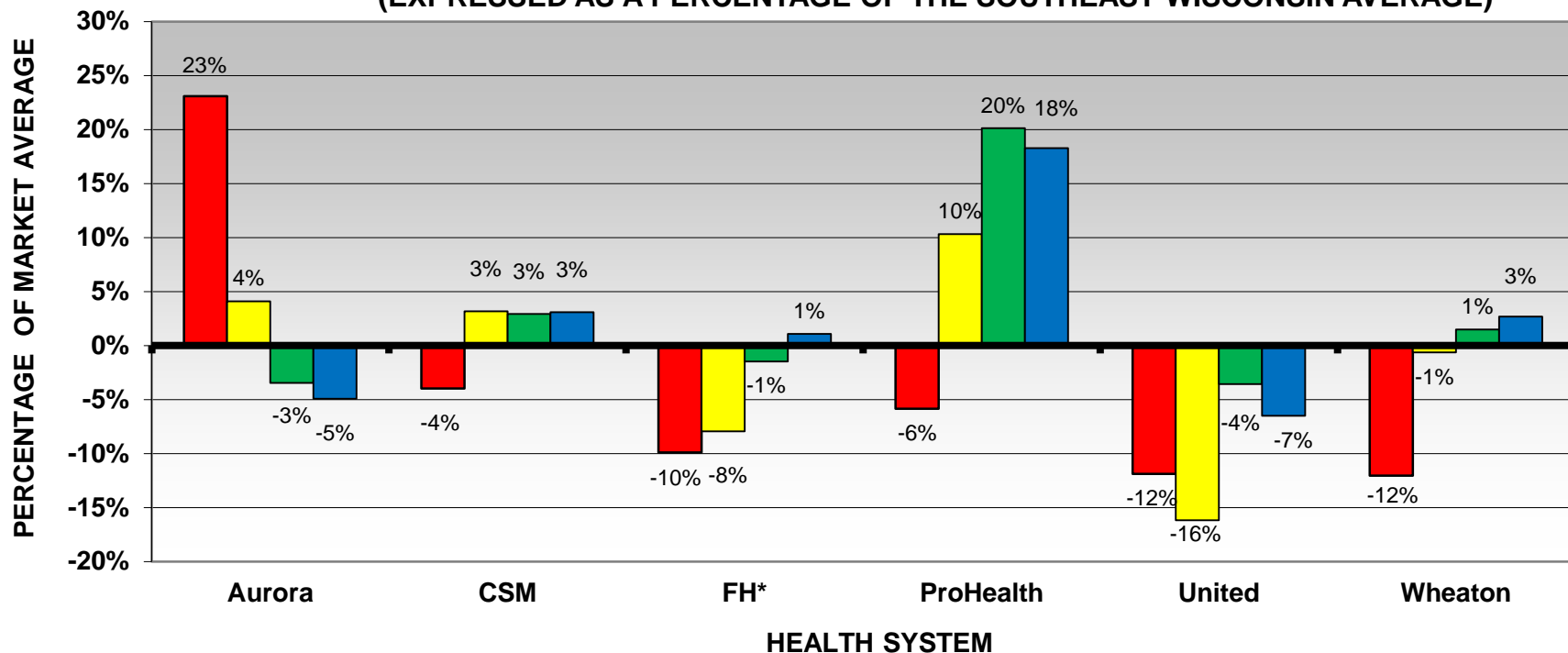
- Since 2003, there has been considerable narrowing of the variation in average **composite** hospital commercial payment levels among Southeast Wisconsin Health Systems
 - In 2003 only one health system (CSM) was within 5% of the market average
 - In 2012, 4 of 6 health systems were within 5% of the market average
 - ProHealth's average payment levels were 18% above the market average
 - United's average payment levels were 7% below the market average
- Considerable variation between 2012 average inpatient and outpatient payment levels existed among health system hospitals
 - Average **inpatient** payment levels ranged from 12% above to 14% below Southeast Wisconsin averages
 - Average **outpatient** payment levels ranged from 22% above to 9% below Southeast Wisconsin averages

2012 Health System Hospital Commercial Payment Level Comparisons – *Results* (continued)

- United (-7%) and Aurora (-5%) had average aggregate hospital payment levels below the market average
 - Primarily caused by lower outpatient hospital payment rates for both systems
- ProHealth's average aggregate hospital payment levels were about 18% higher than the Southeast Wisconsin average
 - Both inpatient (+12%) and outpatient (+22%) payment levels were higher than market averages
- CSM, Froedtert and Wheaton average aggregate hospital payment levels were near the Southeast Wisconsin average
 - CSM and Wheaton have lower inpatient and higher outpatient rates
 - Froedtert's inpatient and outpatient rates are near market averages

Average Composite Payment Levels Relative to the Southeast Wisconsin Hospital Average

**SOUTHEAST WISCONSIN HEALTH SYSTEM
COMPOSITE COMMERCIAL HOSPITAL PAYMENT LEVELS
(EXPRESSED AS A PERCENTAGE OF THE SOUTHEAST WISCONSIN AVERAGE)**

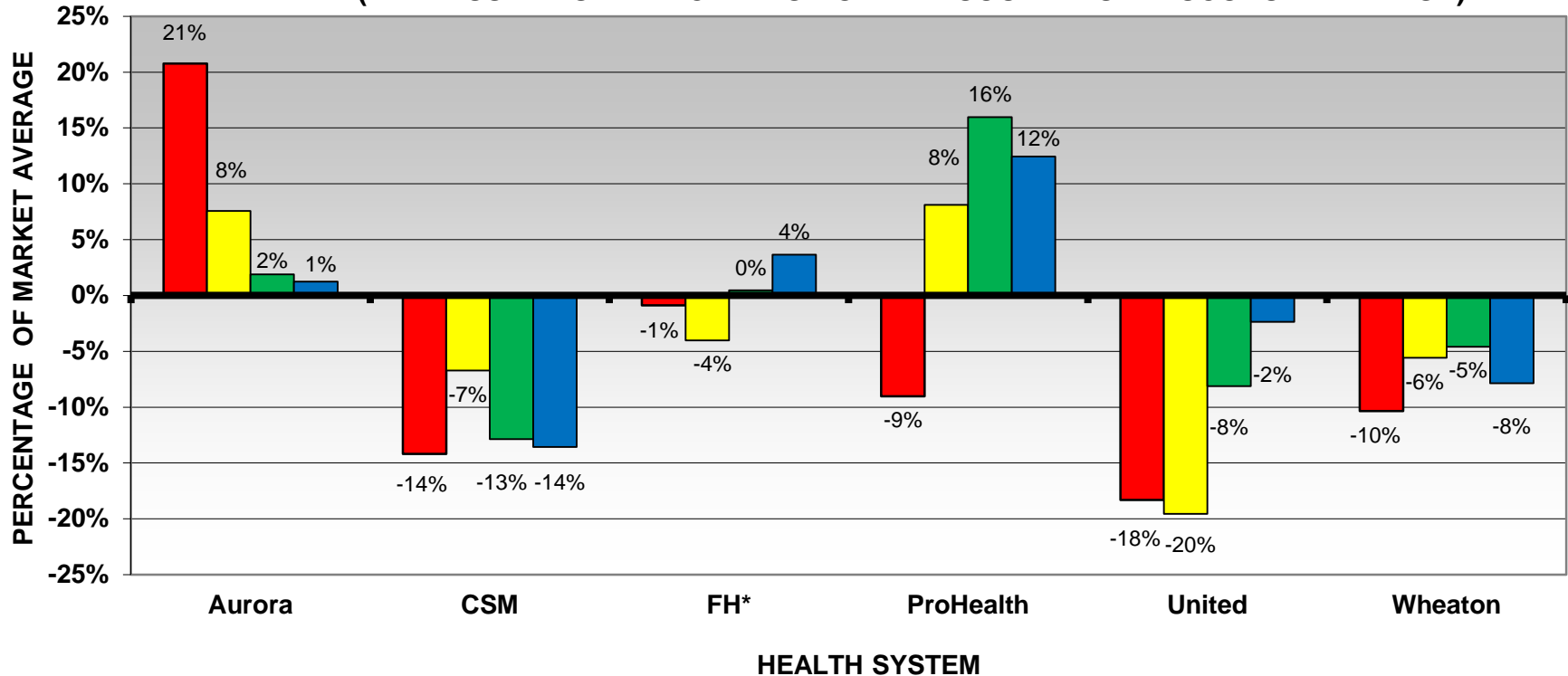


* Includes results for SynergyHealth for all years

■ 2003 ■ 2010 ■ 2011 ■ 2012

Average Inpatient Payment Levels Relative to Southeast Wisconsin Hospital

SOUTHEAST WISCONSIN HEALTH SYSTEM
COMMERCIAL INPATIENT PAYMENT PER CASE MIX ADJUSTED DISCHARGE
(EXPRESSED AS A PERCENTAGE OF THE SOUTHEAST WISCONSIN AVERAGE)

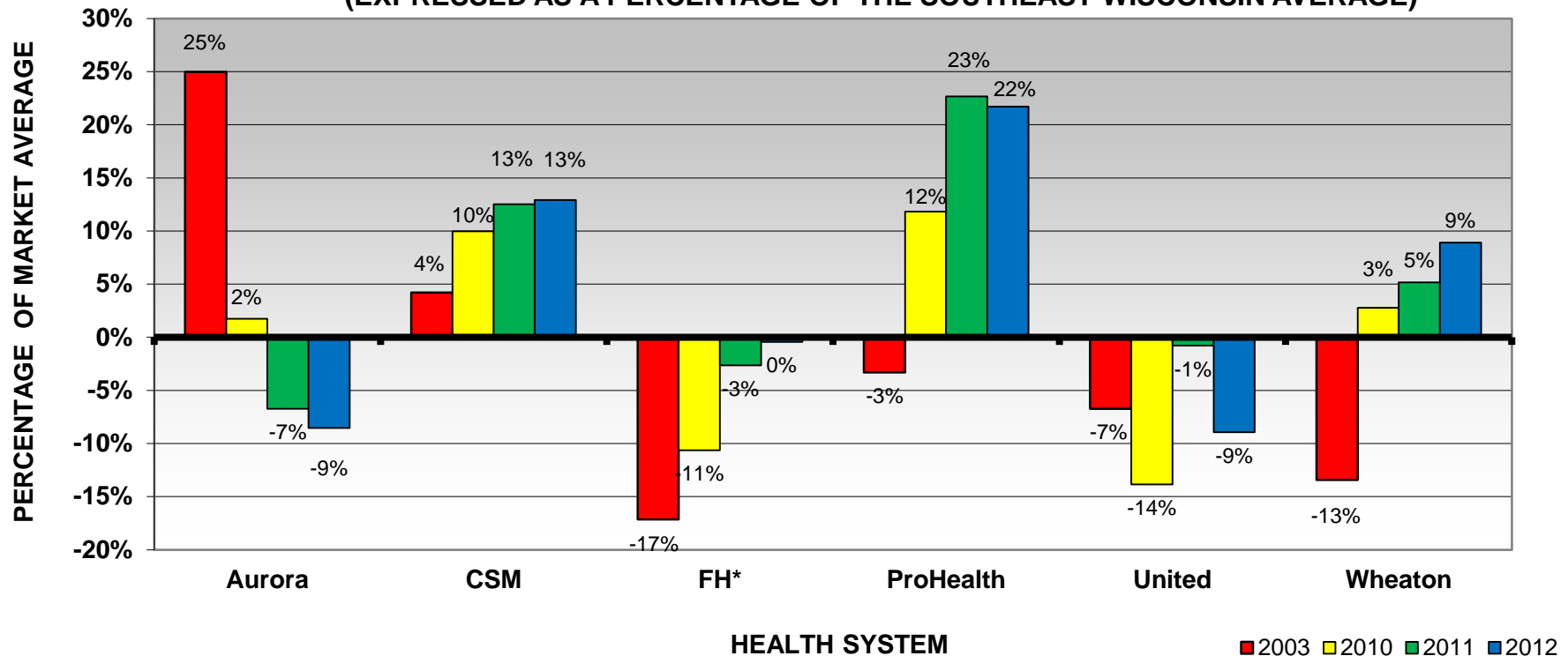


* Includes results for SynergyHealth for all years

■ 2003 ■ 2010 ■ 2011 ■ 2012

Average Outpatient Payment Levels Relative to Southeast Wisconsin Hospital Average

SOUTHEAST WISCONSIN HEALTH SYSTEM
 AVERAGE COMMERCIAL OUTPATIENT PAYMENT LEVELS
 (EXPRESSED AS A PERCENTAGE OF THE SOUTHEAST WISCONSIN AVERAGE)



* Includes results for SynergyHealth for all years

Hospital Operating Cost Comparisons

Hospital Operating Cost Comparisons

- Our initial 2003 study estimated that 2003 Milwaukee area per-unit hospital operating costs were 14% to 26% higher than the hospital operating costs in some other Midwest cities with lower commercial hospital payment levels

Hospital Operating Cost Comparisons – *Data Sources and Methods*

- Total hospital operating costs as reported in the Wisconsin State Hospital Fiscal Survey used as basis of comparisons
- Total hospital operating costs were converted to average per-unit costs using “Adjusted Equivalent Discharges” (AED) to adjust for differences in:
 - Relative blend of inpatient and outpatient business
 - Inpatient case mix and severity
 - Outpatient service mix
- Change in Southeast Wisconsin market average hospital operating costs compared to national inflation indices
 - CMS Hospital Market Basket
 - Hospital Producer Price Index (Hospital PPI)

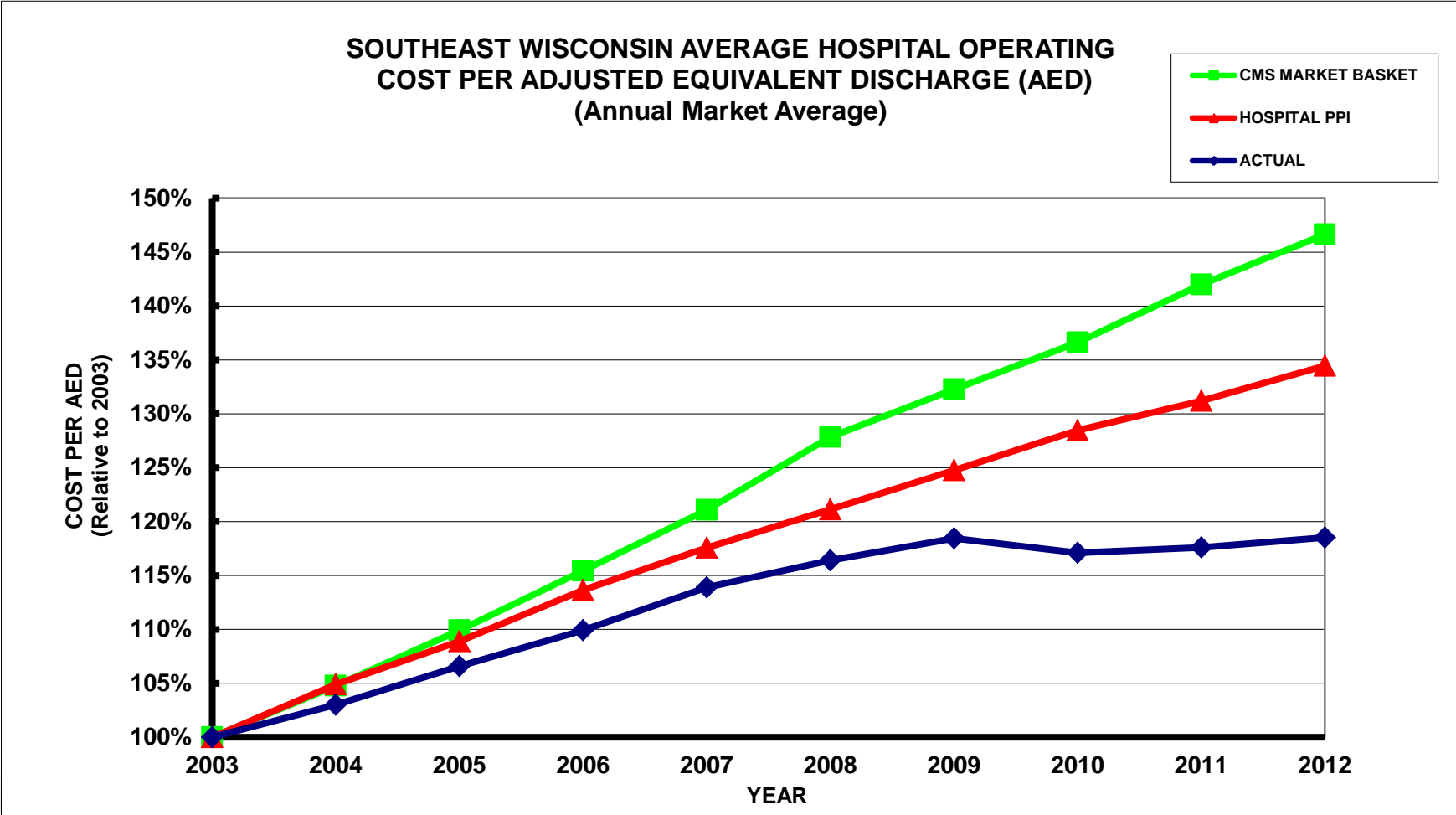
Potential Causes of Changes in Average Per-Unit Hospital Operating Costs

- Changes in the quantity or price of labor, supply, facility or other costs used by each health system to treat its patients
- Changes in inpatient or outpatient volumes may also significantly affect the per-unit allocation of fixed costs
 - Includes changes in case mix or mix of provided services
- Shifts in the relative distribution of business among hospitals with different average operating cost levels (among or within health systems) may also cause of changes in average operating cost levels

Hospital Operating Cost Change Comparisons (2003 -2012) - Results

- Average Southeast Wisconsin hospital operating costs increased 19% from 2003 to 2012 (less than 2% annually)
 - The Hospital PPI increased 34% and CMS Hospital Market Basket increased 47% during the same period
- Much of the difference between Southeast Wisconsin hospital cost increases and the PPI or CMS market basket increases has occurred in recent years
 - Southeast Wisconsin hospital per unit operating costs increased less than 1% from 2009 through 2012
- There have been significant changes among the relative cost positions of each health system from 2003 to 2012

Comparison of Average Southeast Wisconsin Hospital Operating Costs to Inflation Indices



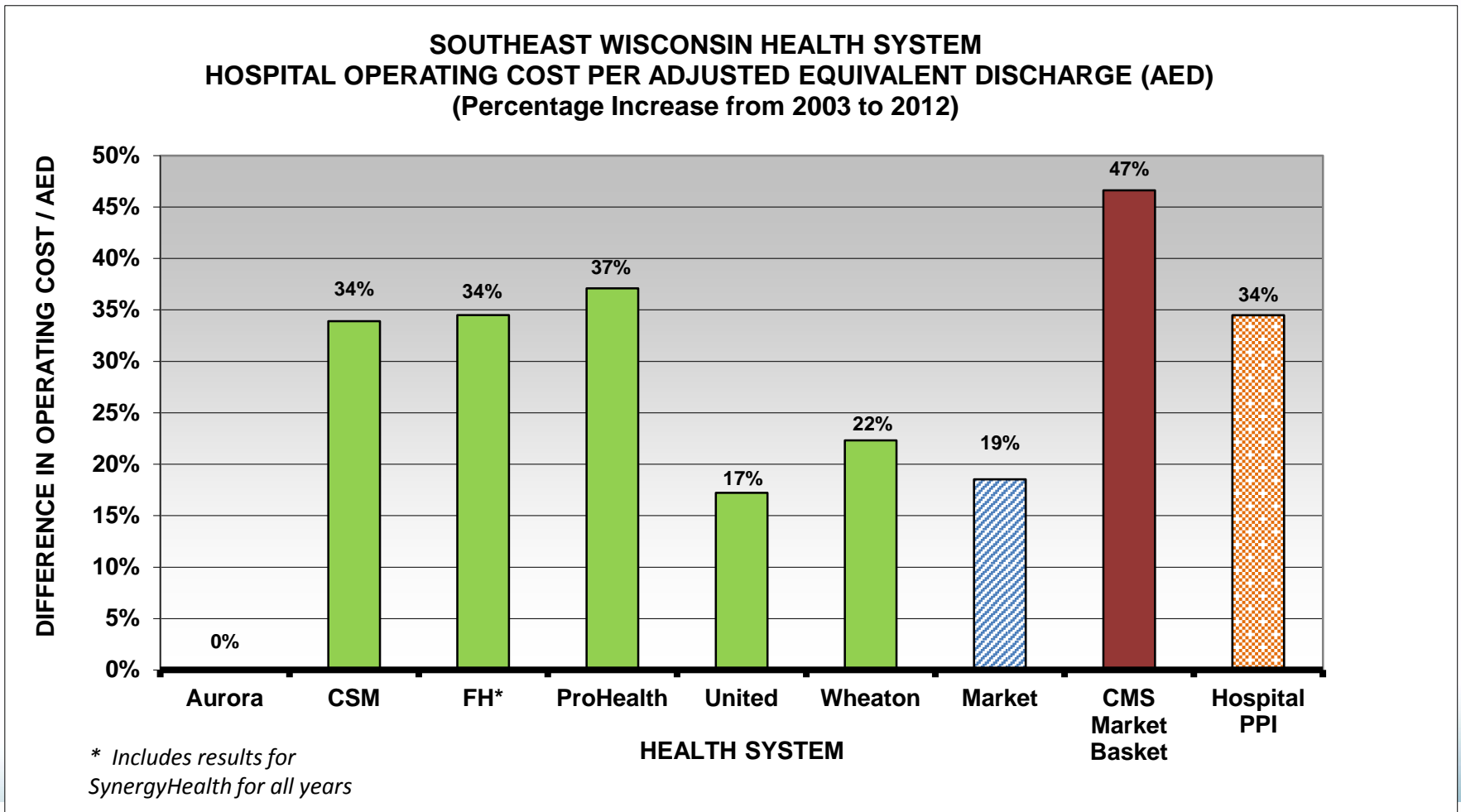
Health System Hospital Operating Cost Change Comparisons - *Results*

- Aurora's 2012 per-unit operating costs were held at 2003 levels
 - 2012 per-unit operating costs were 5% lower than 2009 costs
 - Aurora moved from the highest cost position in 2003 to the lowest cost position in 2012
 - Average per-unit costs are 9% lower than area average
- United and Wheaton per-unit operating cost increases from 2003 through 2012 were about one-half of the benchmark increases
 - Wheaton held 2012 per-unit operating costs at approximately the same level as in 2009
 - United's per-unit operating costs increased only 3% from 2009 through 2012 and actually declined slightly from 2011 to 2012
 - Both systems have lower 2012 per-unit costs than the area average

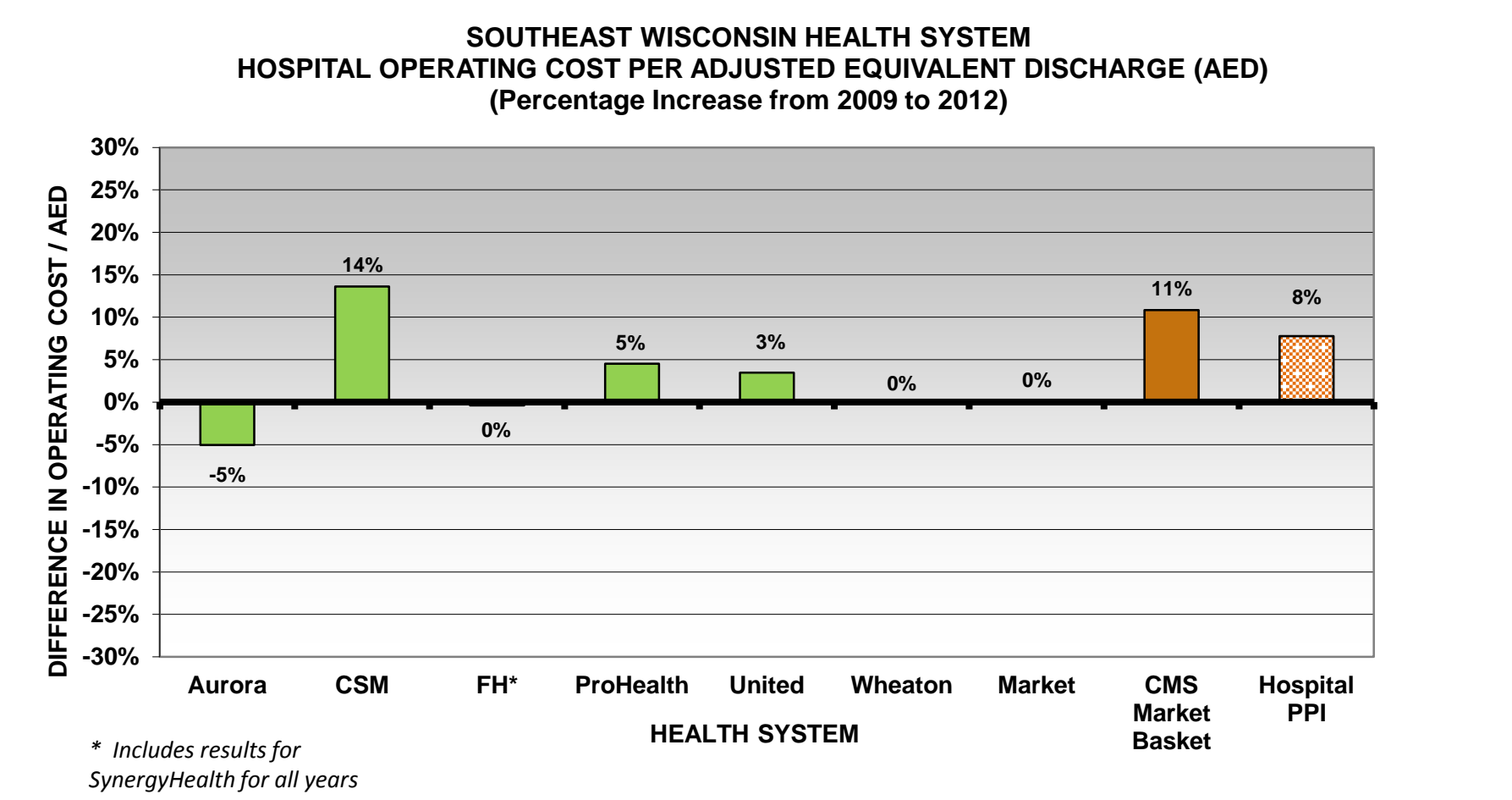
Health System Hospital Operating Cost Change Comparisons – *Results* (continued)

- CSM, Froedtert and ProHealth per-unit operating cost increases from 2003 through 2012 approximated the increase in the PPI during the same time period
 - Froedtert 2012 per-unit operating costs were held at 2009 levels
 - ProHealth per-unit cost increases from 2009 through 2012 have been roughly one-half of the benchmark indices
 - About 40% of CSM's total cost increase has occurred since 2009
 - Significant increase in 2011 partially offset by decline in 2012
- CSM, Froedtert and ProHealth average 2012 cost levels range from 8% to 14 % higher than the SE Wisconsin average
 - Each system had costs slightly below the SE Wisconsin average in 2003

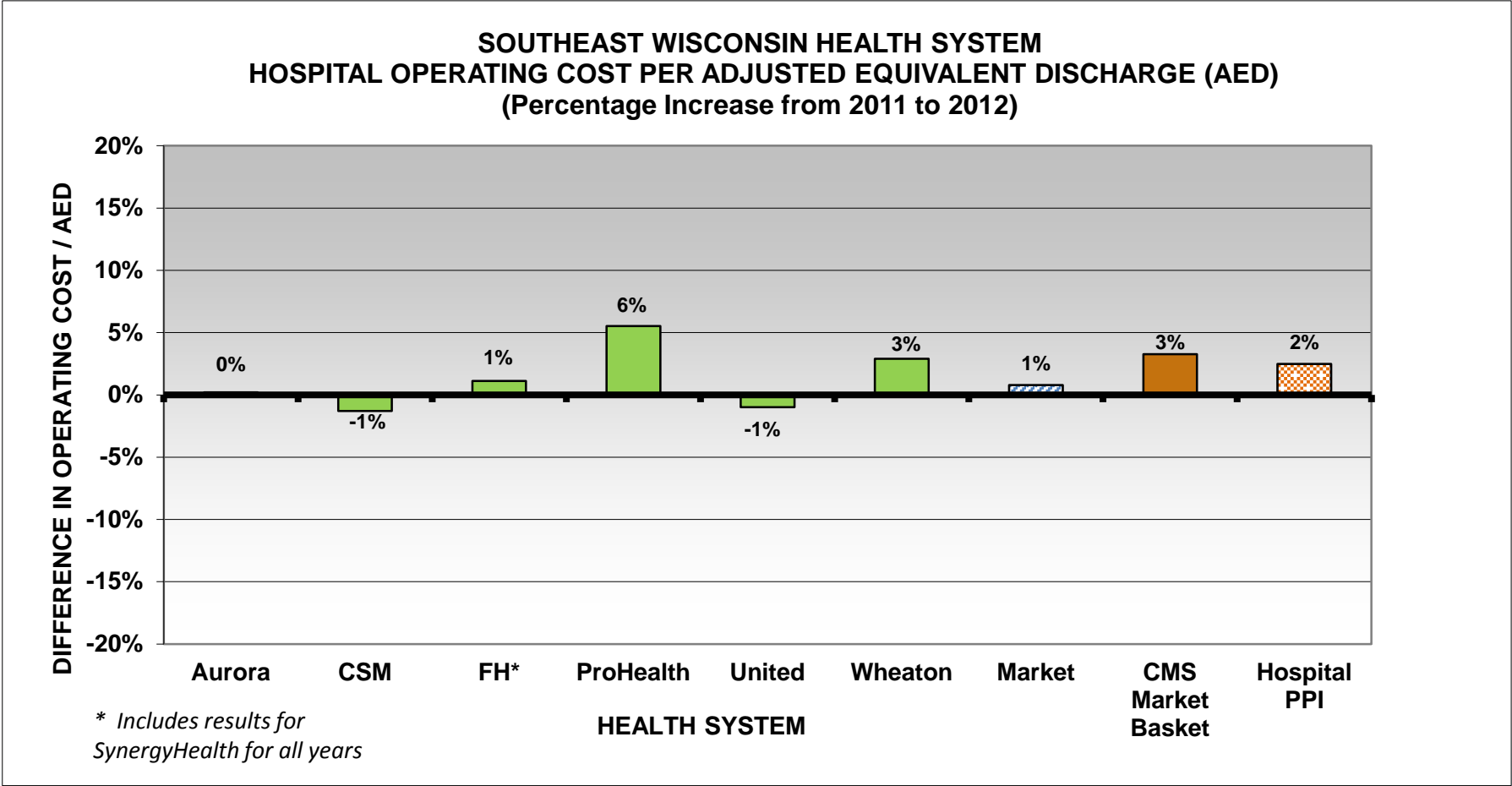
Southeast Wisconsin Health System Hospital Operating Cost Changes (2003 – 2012)



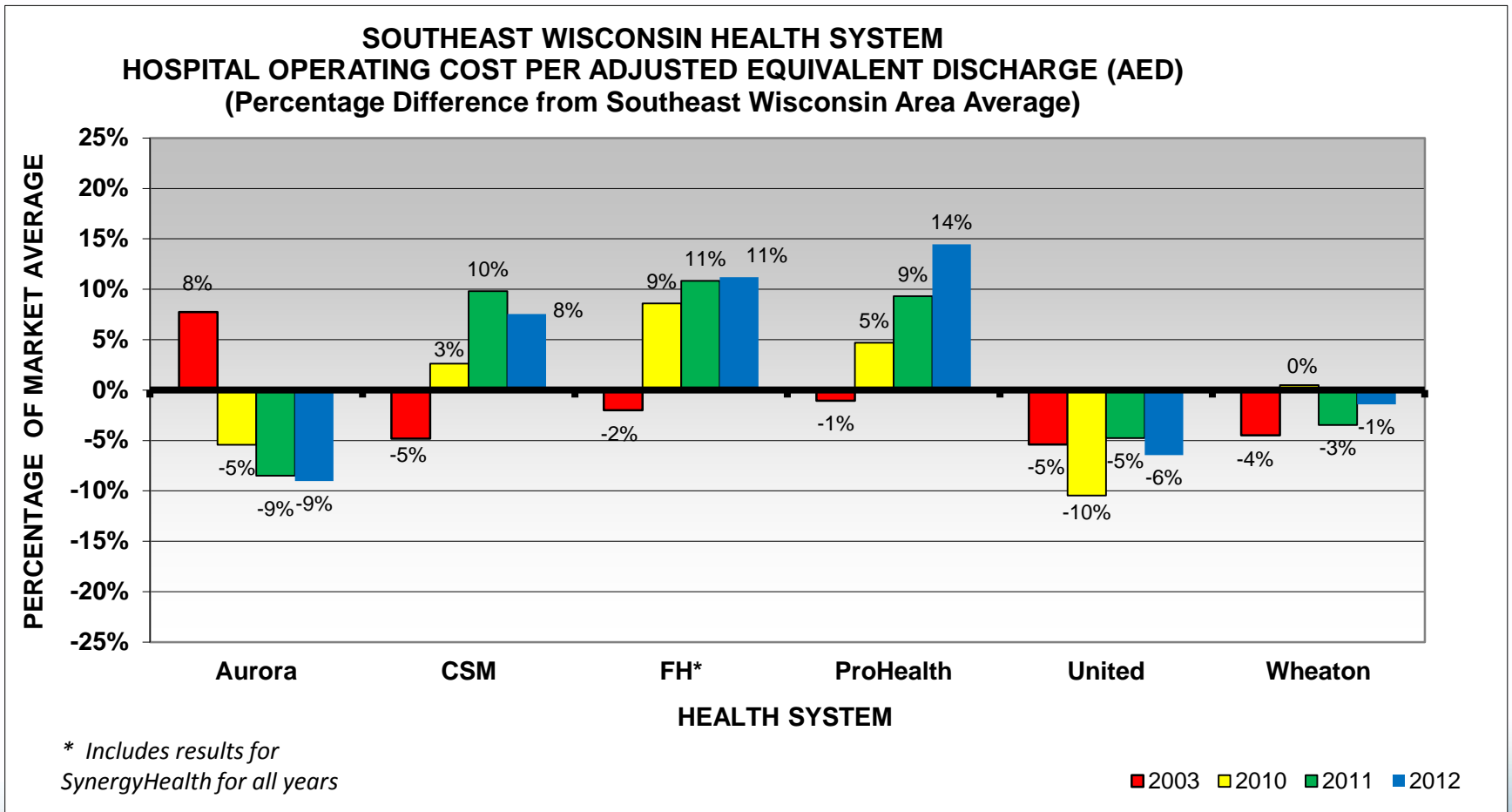
Southeast Wisconsin Health System Hospital Operating Cost Changes (2009 - 2012)



Southeast Wisconsin Health System Hospital Operating Cost Changes (2011 - 2012)



Southeast Wisconsin Hospital Operating Comparisons



Distribution of Hospital Cost Shift Burden

Hospital Cost Shift Burden Distribution

- Our initial 2003 study identified the proportionately greater hospital cost shift burden borne by the Milwaukee area's larger health systems as a factor that contributed to higher commercial hospital payment levels in the Milwaukee area

Hospital Cost Shift Burden – *Methods*

- Cost shift burden was estimated as the difference between payments and related operating costs (including a pro rata share of operating profits) for Medicare, Medicaid, GAMP, and Charity Care patients.
- Bad Debts from all types of patients are also considered to be another type of cost shift burden in our analysis.
- Health system actual operating costs are assumed to be “necessary”
 - Operating cost levels may reflect different degrees of cost management
- Aggregate cost shift burden is affected over time by changes in:
 - Government payer payment levels and patient volumes
 - Hospital operating cost and profit levels
 - Local economic conditions

Southeast Wisconsin Aggregate Hospital Cost Shift Burden – *Results*

- Total 2012 Southeast Wisconsin cost shift burdens accounted for almost 35% of the commercial payments for hospital services
 - Cost shift burdens remained a relatively consistent percentage of total commercial payments from 2003 through 2012
- Total cost shift burdens have remained relatively consistent in 2010, 2011 and 2012
- The relative mix of the sources of hospital cost shift burdens has been changing over the past few years.
 - Governmental cost shift burdens have declined slightly in spite of increased Medicare and Medicaid populations in SE Wisconsin
 - Non-governmental cost shift burdens (bad debts and charity care) have increased over the same period

Southeast Wisconsin Aggregate Hospital Cost Shift Burden

TOTAL SOUTHEAST WISCONSIN AREA HOSPITAL COST SHIFT BURDEN (IN MILLIONS OF DOLLARS)				
	2003	2010	2011	2012
MEDICARE	429	594	596	585
MEDICAID	165	257	205	198
GAMP	20	0	0	0
TOTAL GOVERNMENT COST SHIFT BURDEN	614	851	802	782
CHARITY CARE COST	36	67	80	94
BAD DEBT	133	299	300	334
TOTAL NON-GOVERNMENT COST SHIFT BURDEN	169	366	380	428
AGGREGATE COST SHIFT BURDEN	782	1,217	1,182	1,210
% of Commercial Payments (Total Government)	25.2%	24.5%	23.1%	22.4%
% of Commercial Payments (Total Non-Government)	6.9%	10.5%	10.9%	12.3%
% of Commercial Payments (Aggregate)	32.1%	35.0%	34.0%	34.7%

Attachment 1 includes similar information for each Southeast Wisconsin Health System

Factors Affecting Health System Relative Hospital Cost Shift Burdens

- Percentage of Medicare, Medicaid or Charity Care “business” relative to the Southeast Wisconsin average percentage
- Differences in hospital Medicare and Medicaid payment levels including disproportionate share, medical education or other enhanced payments
- Hospital operating cost levels relative to the Southeast Wisconsin average
- Differences in Charity Care policies
- Relative effectiveness of collection practices impacting Bad Debts

Relative Southeast Wisconsin Hospital Cost Shift Burden Comparison - *Methods*

- Comparisons of the estimated relative impact of cost shift burdens on each health system's commercial payments
- Calculations based on each health system's total cost shift burden as a percentage of its commercial payment levels
 - Represents each health system's share of commercial hospital payments used to offset cost shift burdens
- Comparisons based on difference between individual health system cost shift burden percentage and market average (34.7%)
 - Reported percentages are estimated impacts of higher (or lower) cost shift burdens on each health system's commercial payment levels

2012 Southeast Wisconsin Hospital Relative Cost Shift Burden - *Results*

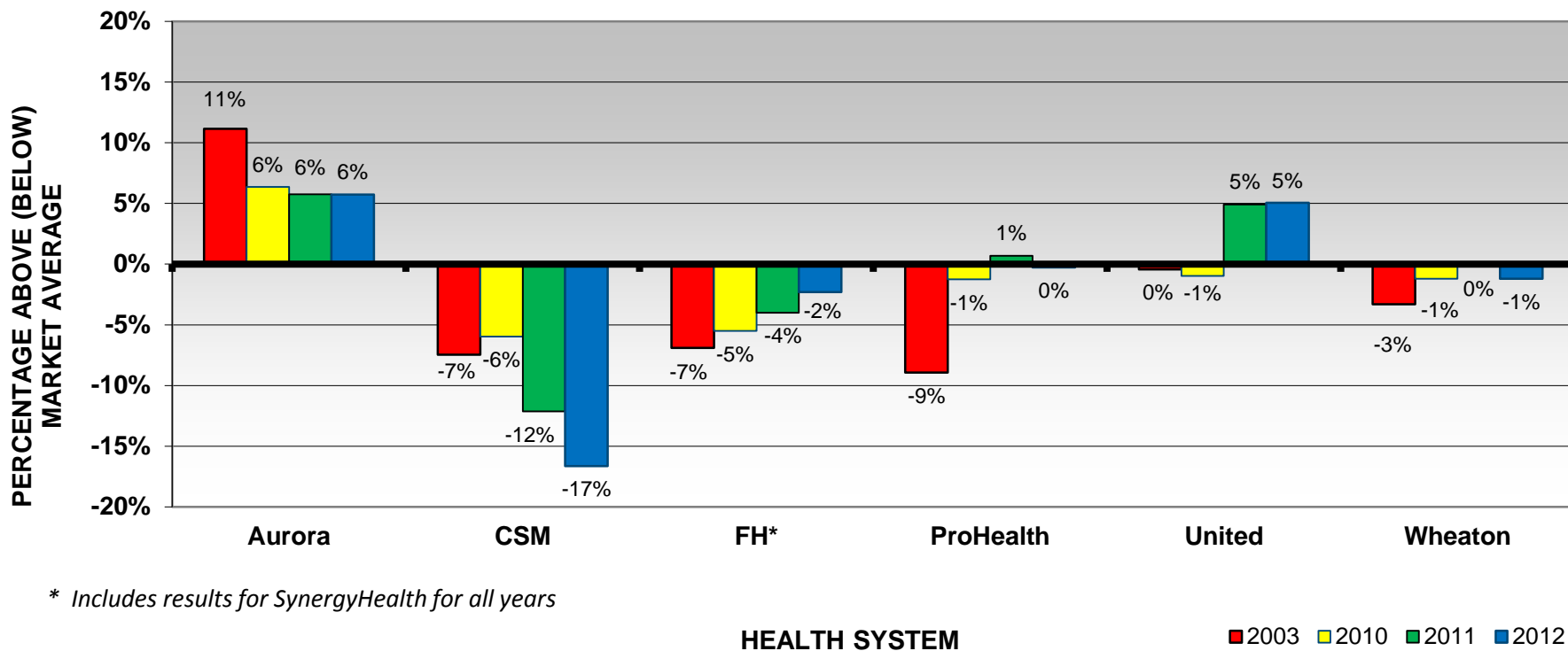
- Aurora and United cost shift burden impacts on commercial payment levels were higher than market averages and other health systems
 - Both had higher Medicare, Medicaid, Charity and bad debt burdens than market averages in 2012
 - Aurora's improved operating cost position likely is a contributor to lower cost shift burdens compared to 2003
 - United's change in relative cost shift burden from earlier years is most likely due to changes in patient mix rather than changes in operating cost levels
- Aurora and United account for slightly less than one-half of the total SE Wisconsin hospital cost shift burden

2012 Southeast Wisconsin Hospital Relative Cost Shift Burden – *Results* (continued)

- Froedtert, ProHealth and Wheaton have experienced increasing levels of relative cost shift burden from 2003 through 2012.
 - Each health system’s cost shift burden impact was similar to the market average in 2012
 - Froedtert’s increased impact on commercial payment levels and share of total SE Wisconsin hospital cost shift burdens are primarily due to growth of Medicare and Bad debt cost shift burdens since 2010
 - ProHealth increases were caused by increased Medicare and non-governmental cost shift burdens
 - Wheaton’s increase was primarily caused by increased in non-governmental cost shift burdens
- CSM relative cost shift burdens have declined since 2003
 - Total Medicare and Medicaid burdens have decreased since 2010
 - CSM has experienced smaller growth in bad debt burdens since 2003

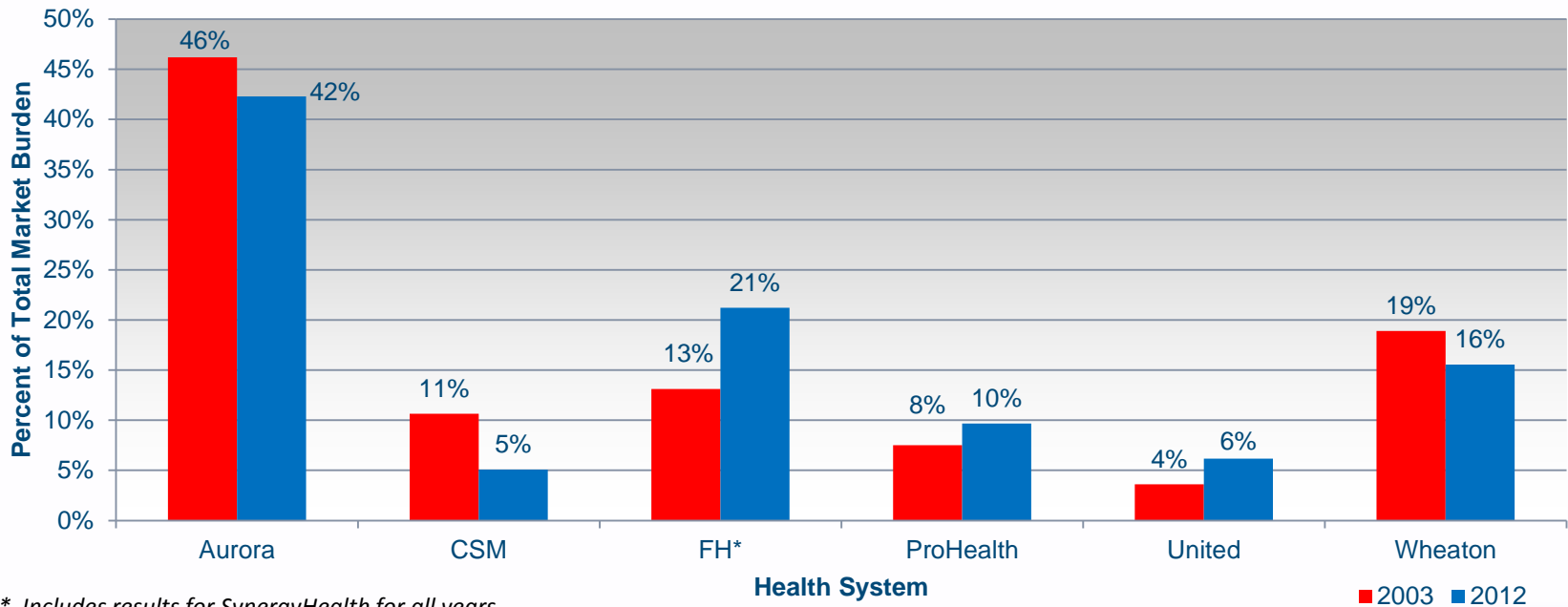
Distribution of Relative Hospital Cost Shift Burden Among Health Systems

Southeast Wisconsin Health System Cost Shift Burden
(Above/Below Market Average as a Percentage of Commercial Payment Levels)



Southeast Wisconsin Commercial Cost Shift Burden Distribution

Southeast Wisconsin Health System Cost Shift Burden (Percent of Total Market Burden)



* Includes results for SynergyHealth for all years

Commercial Market Concentration

Commercial Market Concentration

- Our initial 2003 study identified the high geographic concentration of hospitals within individual Milwaukee area health systems as a factor contributing to Milwaukee's higher commercial hospital payment levels
 - Study expanded to include SE Wisconsin hospitals in recent years
- Previous studies measured changes in market shares of “predominant” health systems
 - “Predominant” health system defined as health system with largest inpatient market share
 - Measured separately for each zip code
- Measurement area experienced a 33% decline in total commercial discharges from 2003 through 2012
 - Represents impact of utilization and insurance coverage changes

Commercial Market Concentration – *Background*

- Each health system's average commercial market shares appear to be the result of relatively higher market shares in a small number of zip codes
 - The overall commercial market share of the largest health system in Southeast Wisconsin (Aurora) was 36% in 2012 while it averaged about 52% in zip codes where it was the “predominant” health system
 - Other health systems exhibited similar patterns
- Preference for Closest Hospitals
 - Health system commercial market shares appeared to be related to hospital proximity in most zip codes
 - “Predominant” health system commercial market shares tended to be higher when competitors were located farther away
 - Pattern is consistent throughout duration of study period (2003 – 2012)

Commercial Market Concentration – *Data*

- Measures used WHA hospital inpatient discharge data
- Included only commercial discharges of residents from the seven county area to “Included Hospitals,” Mercy Health Services (Lake Geneva or Janesville hospitals), and Columbia Center (Mequon)
 - Excluded Medicare, Medicaid, GAMP, Charity, Self Pay, and other non-commercial discharges
 - Excluded seven county area residents discharged from hospitals in other markets (Madison, Green Bay, Fond du Lac, Chicago, etc.)
- Effective with their merger in 2009, market shares for Synergy Health and Froedtert Health were calculated on a combined basis (presented as Froedtert Health)
 - Calculated separately prior to 2009

Commercial Market Concentration – *Methods*

- Based on analysis of health system inpatient commercial discharge market shares within each Southeast Wisconsin zip code (113 zip codes)
- Health system with the highest commercial market share in each zip code was defined as the “predominant” health system for that zip code
- Market average comparisons were developed using the weighted averages of “predominant” health system commercial market shares for each zip code
- Market segment analysis was based on changes in the distribution of commercial discharges among Low, Limited, Moderate, and High Competition market share categories

Commercial Market Share Segment Descriptions

▪ Low Competition

- “Predominant” health system market share is > 65%
 - Typically near single health system hospitals located relatively far from competitor hospitals (Waukesha, Burlington, Racine, Menomonee Falls, West Bend)

▪ Limited Competition

- “Predominant” health system market share is 50% to 65%
 - Typically located in similar proximity to hospitals from only two competitor health systems (Franklin, Oak Creek, Pewaukee, Kenosha)

Commercial Market Share Segment Descriptions *(continued)*

▪ Moderate Competition

- “Predominant” health system market share is 35% to 50%
 - Primarily zip codes in similar proximity to hospitals from at least two (but usually three) competitor health systems (Hartland, Hartford, New Berlin, Muskego, Waterford)

▪ High Competition

- “Predominant” health system market share is < 35%
 - Primarily zip codes located in similar proximity to hospitals from several health systems (Brookfield, Elm Grove, and select areas of Milwaukee)

Commercial Market Concentration Changes

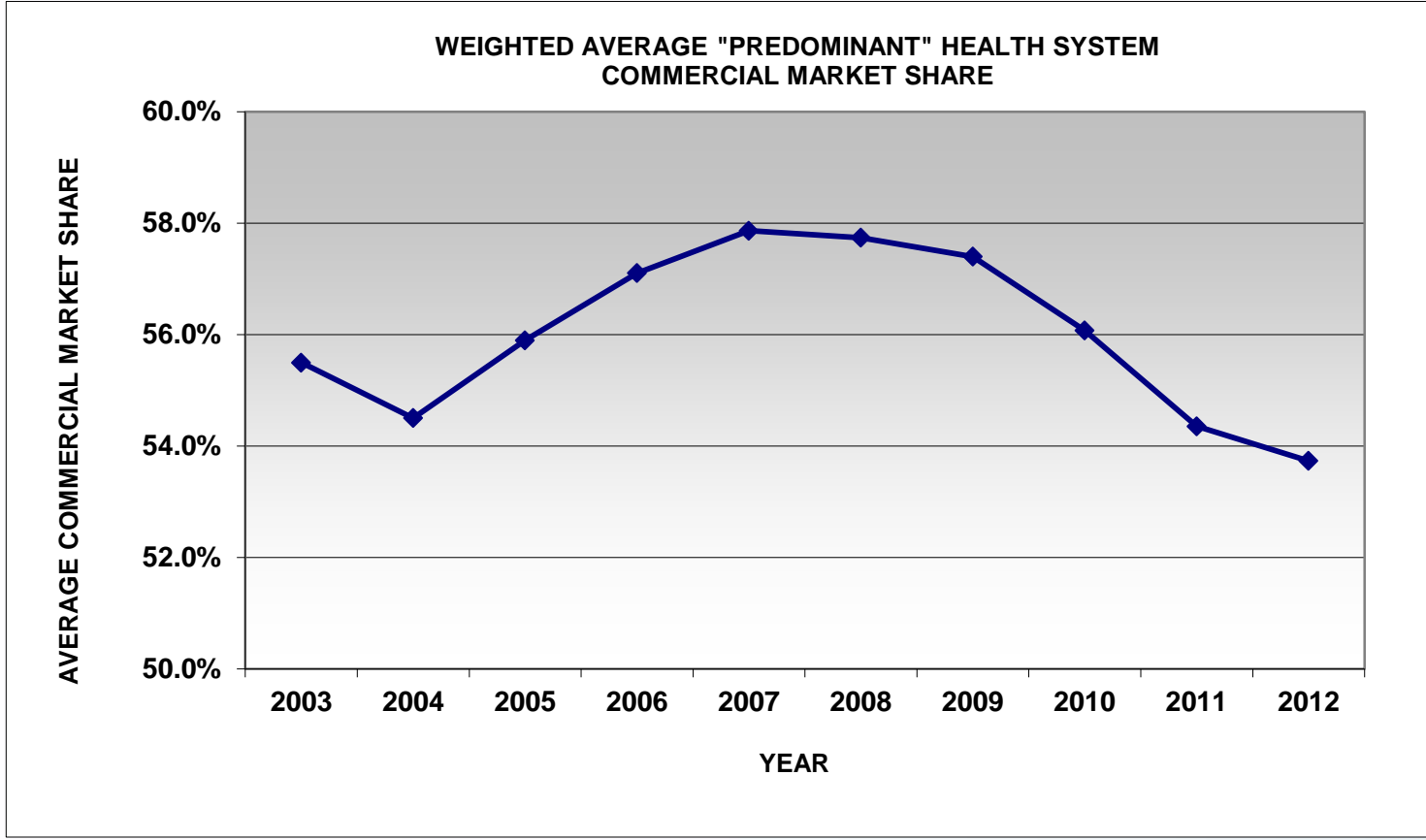
- From 2004 through 2007 commercial market shares for “predominant” health systems generally increased
 - Weighted average and percentage of Limited and Low Competition discharges increased during measurement period
- From 2008 through 2012 overall market concentration has declined
 - 2012 weighted average market share declined below 2004 level, the previous lowest point in the study
 - The percentage of commercial discharges from “Low” and “Limited” zip codes decreased from 73% in 2010 to 62% in 2012
 - High and Moderate competition areas accounted for almost 40% of total commercial discharges in 2012
 - Approximately 76% of all commercial discharges were from zip codes with at least two competing health systems
 - Increase from 69% in 2003

Commercial Market Concentration Changes

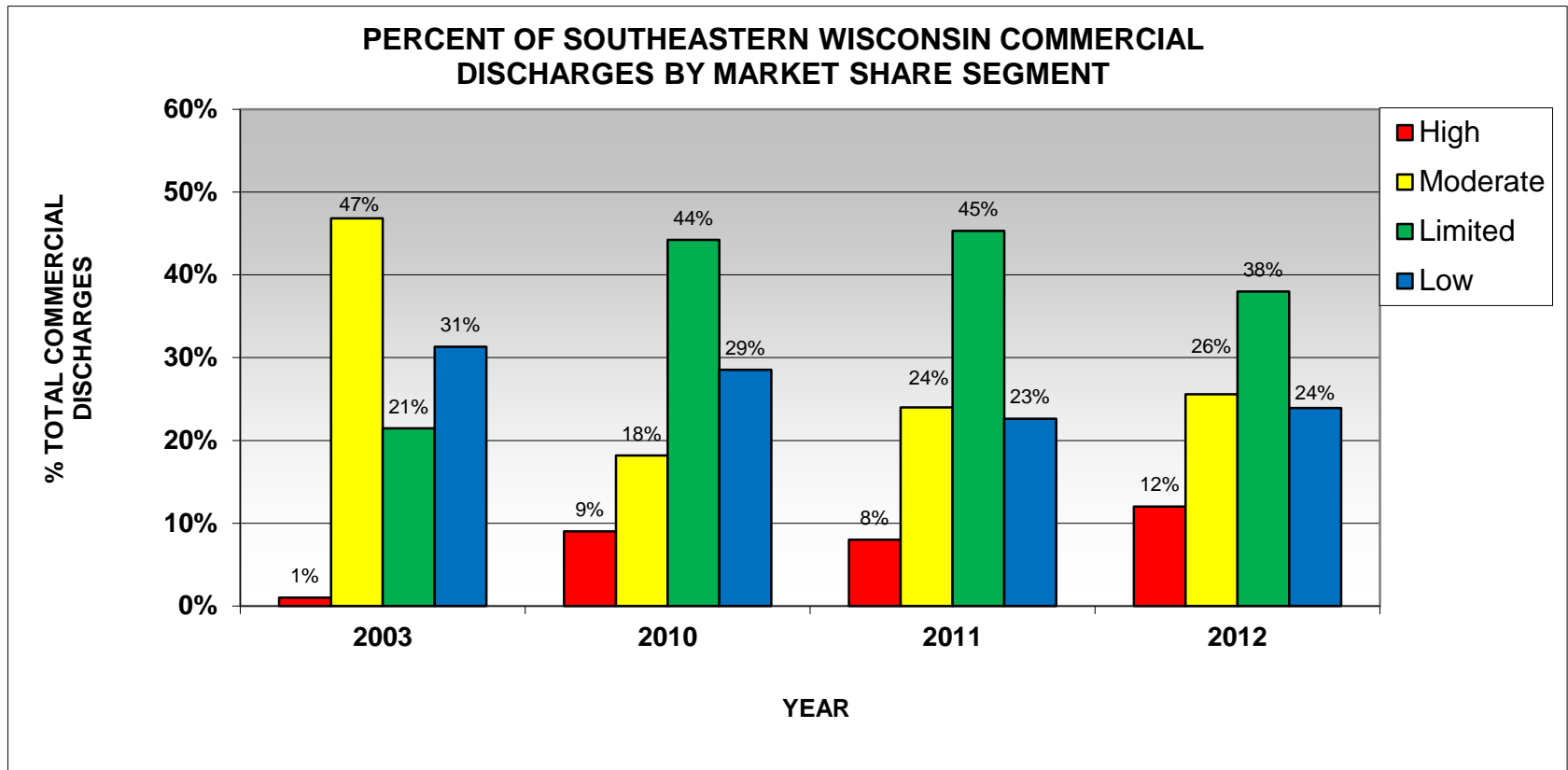
(continued)

- Many of the recent changes in health system hospital market shares occurred in areas near new hospitals or large ambulatory facilities
 - Eastern Ozaukee and northern Milwaukee Counties
 - Southern Milwaukee County
 - Western Waukesha County
 - Walworth County
- There were no zip codes with significant commercial discharge volumes where the predominant health system market shares increased by more than 5% since 2010

Southeast Wisconsin Average “Predominant” Health System Market Shares



Southeast Wisconsin Commercial Discharges by Market Share Segment



"Predominant" Health System market shares for each Southeast Wisconsin zip code are included in Attachment 2 P

Caveats and Use of This Report

Caveats

- Hospital commercial payment and operating cost comparisons are based on hospital financial reports filed with WHA. To the extent health systems use different methods to account for the commercial payments or operating costs of its hospitals, or include non-hospital costs or payments in their reports to WHA, our comparisons may not be valid.
- Cost shift burden results pertain to aggregate commercial and governmental hospital payment levels only and do not reflect cost shift burden from non-hospital services (Physicians, Home Health, Retail Pharmacy).

Caveats *(continued)*

- Our comparisons of health system geographic market concentration are based on commercial inpatient discharge data only. Health system market shares for outpatient services and / or non-commercial payers may be different.
- Results were developed using data that we did not audit, but we did review the data for general reasonableness.

Use of This Report

- This report is intended for use in collaborative quality and cost improvement initiatives. We ask that it not be used for public relations or general media purposes.
- Please review the full report (including the Appendix and its Attachments) and use the information in its entirety. Market comparisons using only one measure or even a limited number of comparisons can be misleading.

Thank You

Keith Kieffer, CPA, RPh
Management Consultant
keith.kieffer@milliman.com

Milliman, Inc.
15800 Bluemound Road, Suite 100
Brookfield, WI 53005
+1 262 784.2250

Appendix



**Greater Milwaukee Business Foundation on Health
Key Factors Influencing 2003 – 2012
Southeast Wisconsin Commercial
Payer Hospital Payment Levels**

Appendix

Prepared for:
Greater Milwaukee Business Foundation on Health

Prepared by:
Milliman, Inc.

Keith Kieffer, CPA, RPh
Management Consultant

15800 Bluemound Road
Suite 100
Brookfield, WI 53005
USA
Tel +1 262 784 2250
Fax +1 262 923 3680

milliman.com

TABLE OF CONTENTS

I. OVERVIEW	1
II. DEFINITION OF SOUTHEAST WISCONSIN HEALTH SYSTEMS.....	3
III. DATA SOURCES AND TIME PERIOD	5
IV. HOSPITAL SERVICES FORM THE BASIS OF COMPARISON	6
V. QUALITY COMPARISONS	7
VI. METHODOLOGY AND ASSUMPTIONS	8
Hospital Commercial Payment Level Comparisons	8
Hospital Operating Cost Comparisons.....	8
Cost Shift Burden Estimates	8
Geographic Market Concentration Comparisons	9
VII. USES OF INFORMATION	10
VIII. CAVEATS AND LIMITATIONS ON USE	11
IX. FOR FURTHER INFORMATION	12

ATTACHMENT 1	Southeast Wisconsin Health System Cost Shift Burden Comparisons
ATTACHMENT 2	Predominant Health System Commercial Market Share by Zip Code

This appendix describes the data, methods, assumptions, and tools Milliman used to compare Southeast Wisconsin market average and health system specific hospital commercial payment levels, total hospital operating cost levels, cost shift burden from non-commercial payers (including charity care and bad debts), and overall levels of geographic commercial market concentration among Southeast Wisconsin health systems from 2003 through 2012. Measuring hospital commercial payment and operating cost levels, impacts of commercial and governmental payments to hospitals, and market share concentrations is complicated and often controversial. Therefore, the descriptions in this appendix are crucial to the effective use of this hospital comparison. Milliman's comparison of Milwaukee hospital commercial payment and operating cost levels, cost shift burden, and market concentrations should only be considered in its entirety and only after consideration of the information included in this appendix.

I. OVERVIEW

The Greater Milwaukee Business Foundation on Health (the Foundation) commissioned Milliman to provide updated comparisons of five market factors previously identified by Milliman as contributing to higher commercial hospital payment levels in the Milwaukee area (Milwaukee, Ozaukee, Washington, and Waukesha counties) compared to other Midwest cities in 2003. This report provides comparisons of 2003 baseline measures for Southeast Wisconsin (Milwaukee, Kenosha, Racine, Ozaukee, Washington, Walworth, and Waukesha counties) commercial hospital payment levels and three of the five factors (hospital operating cost levels, cost shift burden, and geographic commercial market concentration) to similar market and individual health system measures for 2010, 2011 and 2012. Milliman's previous report issued in 2012 included annual comparisons of the same measures from 2003 through 2011. Information necessary to measure the other two factors identified as impacting the 2003 hospital costs was not available for comparison after 2005 and is not included in either study.

The Foundation's goals for these comparisons are to:

- Provide overall market average and individual health system hospital commercial payment level, operating cost, and cost shift comparisons,
- Provide measures of the geographic concentration of health systems operating in Southeast Wisconsin, and
- Measure changes in each factor from 2003 through 2012 with particular emphasis on changes occurring in 2010, 2011 and 2012.

Individual health system inpatient hospital commercial payment comparisons are based on a hospital's total inpatient commercial net revenues (allowed amounts), as reported in hospital financial statements, measured on a per-unit basis. We adjusted each hospital's per-unit commercial payments for differences in commercial inpatient case mix. Outpatient hospital commercial payment comparisons are based on commercial outpatient payment rates as a percentage of each hospital's Medicare outpatient payment rates (both expressed as a percentage of each hospital's billed charges). Average composite (blended inpatient and outpatient) commercial payment levels were reported relative to the market average.

Comparisons of changes in average market commercial payment levels to the Hospital CPI were developed based on changes in the Southeast Wisconsin average per-unit commercial payments adjusted for differences in commercial inpatient case mix and severity, relative percentages of commercial inpatient and outpatient business, and mix of commercial outpatient services among each year.

Hospital operating cost comparisons are based on a hospital's underlying total expenses incurred in providing services to all patients as reported in hospital financial statements, measured on a per-unit basis. We adjusted each hospital's per-unit expenses for differences in inpatient case mix and severity, relative percentages of inpatient and outpatient business, and mix of outpatient services among all hospitals.

Comparisons of "cost shift burden" are based on the impact to commercial payers resulting from government payment shortfalls to Milwaukee area hospitals. "Cost shift burden" is defined as the increase in hospital commercial insurance payment levels necessary to offset the impact of government payments, charity care and bad debts that do not fully cover a pro rata share of operating costs, and operating profit.

Market share concentration measurements are based on health system commercial inpatient discharge market shares of residents in each of the 113 zip codes with reported commercial discharge volumes in Milwaukee, Kenosha, Racine, Ozaukee, Washington, Walworth, and Waukesha counties. Results of the analyses of individual zip code market shares are weighted by the number of commercial discharges in each zip code when providing overall market comparisons.

II. DEFINITION OF SOUTHEAST WISCONSIN HEALTH SYSTEMS

Our analyses of hospital operating costs and cost shift burden include all adult, general acute care hospitals with 25 or more facility beds located in Milwaukee, Kenosha, Racine, Ozaukee, Washington, Walworth, and Waukesha counties.

Our analysis of Southeast Wisconsin health system geographic market share concentration includes all adult, general, acute care hospitals with health system commercial market shares of at least 10% in any individual zip codes located in Milwaukee, Kenosha, Racine, Ozaukee, Washington, Walworth, and Waukesha counties.

Children's Hospital and Health System and Columbia Center (Columbia Health System) are not included in the analyses or in Southeast Wisconsin averages because of their unique demographic and service characteristics. Mercy Health System is not included in the operating cost and cost shift analyses because of the unique configuration of its Mercy Walworth Hospital and Medical Center (15 beds), its only hospital located within the study area. Discharges from Mercy Health System's Lake Geneva and Janesville, in addition to Columbia Center hospitals, are included in our analysis of geographic concentration of health systems. Information for sub-acute care and non-medical / surgical specialty hospitals (e.g., behavioral health, rehabilitation, and long-term acute care) is also excluded from the analyses.

SynergyHealth and Froedtert Health (FH) merged on July 1, 2008, the first day of SynergyHealth's 2009 fiscal year. Accordingly, we combined the 2003 commercial payment levels, operating cost, and cost shift comparison results for both organizations (i.e., Synergy information included with FH) in this report. SynergyHealth and FH market share results were not combined prior to 2009 in our market concentration measurements.

The following table details the individual hospitals from each Southeast Wisconsin health system included in our analyses.

Southeast Wisconsin Comparisons Included Hospitals and Health Systems	
Health System	Included Hospitals
Aurora Health Care (Aurora)	Aurora Medical Center – Grafton Aurora Medical Center – Kenosha Aurora Medical Center – Summit Aurora Medical Center of Washington County (Hartford) Aurora Sinai Medical Center Aurora St. Luke’s Medical Center (Oklahoma Campus) Aurora St. Luke’s Medical Center (South Shore Campus) Aurora West Allis Medical Center
Columbia St. Mary’s (CSM)	Columbia St. Mary’s Hospital – Milwaukee Columbia St. Mary’s Hospital – Ozaukee Orthopedic Hospital of Wisconsin
Froedtert Health (FH)	Community Memorial Hospital (Menomonee Falls) Froedtert and Medical College of Wisconsin St. Joseph’s Hospital (West Bend) – formerly SynergyHealth
United Hospital System (United)	Kenosha Medical Center Campus St. Catherine’s Medical Center Campus
ProHealth Care (ProHealth)	Oconomowoc Memorial Hospital Waukesha Memorial Hospital
Wheaton Franciscan Healthcare (Wheaton)	Midwest Orthopedic Specialty Hospital St. Michael Hospital (closed in 2006) Wheaton Franciscan Healthcare – All Saints Wheaton Franciscan Healthcare – Elmbrook Memorial Wheaton Franciscan Healthcare – Franklin Wheaton Franciscan Healthcare – St. Francis Wheaton Franciscan Healthcare – St. Joseph Wheaton Franciscan Healthcare – Wisconsin Heart Hospital

III. DATA SOURCES AND TIME PERIOD

We used hospital inpatient claims data and information included in the Wisconsin Hospital Fiscal Survey, as reported by each hospital obtained from the Wisconsin Hospital Association (WHA) Information Center, as the basis for each analysis.

CMS-DRG weights obtained from the Centers for Medicare and Medicaid Services (CMS) were used to calculate inpatient case-mix adjustments.

The hospital commercial payment, operating cost, and cost shift burden comparisons are based on inpatient claims and financial report data from each health system's fiscal year as reported in the WHA Discharge Database. Southeast Wisconsin health systems have different fiscal years ending from June 30 through December 31 of each year. We do not believe the differences in health system fiscal years are likely to have a material impact on our comparisons. Individual hospital system information included in the comparisons was developed from summaries of the respective individual Wisconsin Hospital Fiscal Survey reports. These summaries may differ from other publicly available financial information from each hospital system, due to exclusion of non-hospital subsidiaries or accounting treatment of intercompany revenues and expenses. Hospital service and payer mix, reimbursement levels (i.e., discounts), operating costs, and profit levels may change over time. The results of this comparison may be different if the analysis was performed on more recent data.

Hospital Medicare payment percentages were developed using information from the Wisconsin Hospital Fiscal Survey and outpatient claims from the Medicare 5% sample. We excluded inpatient psychiatric, rehabilitation, and transfer patients from each hospital's data. Newborn infants and their mothers were counted as single discharges for the purpose of this analysis. Estimated commercial payments and costs of the excluded patients were removed from each hospital's total commercial payments or expenses, based on each hospital's overall ratio of commercial payments or operating costs to charges.

The measures of geographic market share concentration among health systems are based on commercial inpatient discharge data for residents of Milwaukee, Kenosha, Racine, Ozaukee, Washington, Walworth, and Waukesha counties admitted to Included Hospitals or Mercy Health Services' Lake Geneva or Janesville hospitals from January 1 through December 31 of each measurement year.

IV. HOSPITAL SERVICES FORM THE BASIS OF COMPARISON

The hospital commercial payment, operating cost, cost shift, and market share comparisons are based solely on hospital services, payments, costs, and profits. The comparisons do not include commercial payments, operating costs, cost shift burden, or market shares related to other types of health care services such as physicians, home health agencies, pharmacies, and other providers that are not included in each health system's hospital financial statements as reported to WHA. To the extent that any of the health systems have included non-hospital payments or costs in their reports to WHA, our results may not be valid.

The reader of this report should consider all elements of health care costs before drawing conclusions from this report.

V. QUALITY COMPARISONS

Our analysis did not include any comparisons of quality or outcomes information because such data was outside the scope of the comparisons. Quality information is a critical component of provider evaluation and should be considered when evaluating hospital performance.

VI. METHODOLOGY AND ASSUMPTIONS

HOSPITAL COMMERCIAL PAYMENT COMPARISONS

Inpatient hospital commercial payment levels were calculated for each health system by dividing total hospital inpatient commercial payments (billed commercial charges less corresponding contractual allowances) by each health system's commercial case mix adjusted discharges. Case mix adjusted discharges are a standardized unit of measure used to adjust each hospital's commercial inpatient payment levels for differences in service mix among the hospitals. Each hospital's case mix is developed using MSDRGs and reflects relative differences among admission types. Normalizing for these differences allows for a consistent comparison of inpatient discharges from one hospital to another.

Outpatient hospital commercial payment levels were estimated as a percentage of each hospital's average Medicare outpatient payment levels. Hospitals in Southeast Wisconsin are generally paid on a uniform outpatient fee schedule by Medicare. Our estimates of commercial payment levels as a percentage of Medicare payment levels were developed by comparing the relative average commercial outpatient payment levels (expressed as a percentage of billed charges) to the average Medicare outpatient payment levels (also expressed as a percentage of billed charges).

The composite (blended inpatient and outpatient) commercial payment levels were developed by blending each health system's relative inpatient and outpatient payment levels (relative to market averages) using the average mix of inpatient and outpatient billed charges for all hospitals included in our analysis.

We compared changes in Southeast Wisconsin average hospital commercial payment levels to estimated changes in national average commercial hospital payments using the United States Bureau of Labor Statistics Hospital Services component of the All Urban Consumer Price Index for each year. These comparisons relied on per-unit hospital commercial payment levels, calculated for each health system by dividing total hospital commercial payments (billed commercial charges less corresponding contractual allowances) by each health system's commercial adjusted equivalent discharges. Adjusted equivalent discharges are a standardized unit for measuring each hospital's combined inpatient and outpatient activity adjusting for differences in inpatient case-mix and severity, outpatient service mix, and relative mix of inpatient and outpatient business mix among hospitals.

HOSPITAL OPERATING COST COMPARISONS

Per-unit hospital operating cost levels were calculated for each health system by dividing total hospital operating costs (net of other operating revenues) by each health system's total adjusted equivalent discharges. Adjusted equivalent discharges are a standardized unit for measuring each hospital's combined inpatient and outpatient activity adjusting for differences in inpatient case-mix and severity, outpatient service mix, and relative mix of inpatient and outpatient business mix among hospitals.

We compared changes in Southeast Wisconsin average hospital operating cost levels to estimated changes in national average hospital costs using the Centers for Medicare and Medicaid Services' Hospital Market Basket Index and the United States Bureau of Labor Statistics Hospital Producer Price Index for each year.

COST SHIFT BURDEN ESTIMATES

Southeast Wisconsin hospital cost shift burden is calculated for Medicare, Wisconsin Medicaid, Milwaukee County General Assistance (GAMP), and Charity Care patient activity at each hospital. We also included each hospital's bad debts as source of cost shift burden in each year. Effective January 1, 2009 GAMP enrollees in Milwaukee County were transitioned into the Wisconsin Medicaid program. Accordingly, GAMP cost shift burden is not reported separately for fiscal years 2010, 2011 and 2012.

Cost shift burden related to patients covered by other governmental payers, such as CHAMPUS or non-Wisconsin Medicaid, are not reported separately in the comparisons due to the relatively immaterial impact of these patients on Southeast Wisconsin hospital overall cost shift burden levels.

Medicare, Medicaid, GAMP, charity care, and bad debt cost shift burden estimates were developed using hospital specific Wisconsin Hospital Fiscal Survey data for each payer summarized by health system to provide the information presented in the market and hospital system comparisons. The payer specific cost shift burden for each health system was estimated by comparing total reimbursement from each payer to a pro rata share of the net operating cost (net of bad debt adjustments) and hospital operating profit for all health system hospitals. Hospital net operating costs and profits were allocated among payment sources based on the ratio of each hospital's operating costs or operating profits to gross patient revenues (billed charges). Total hospital operating expenses were reduced by non-payer sources of revenue (other operating revenue) to calculate the net operating costs used to develop the cost shift burden estimates for each health system. As bad debts represent actual uncollected amounts due to each hospital, we included the full amount of each hospital's reported bad debt expense in our estimates.

The detailed Southeast Wisconsin health system cost shift burden comparisons are included in Attachment 1 to this appendix.

GEOGRAPHIC MARKET CONCENTRATION COMPARISONS

The analysis of health system geographic market concentration was based on health system market share calculations using commercial discharge data from residents of each zip code in Milwaukee, Kenosha, Racine, Ozaukee, Washington, Walworth, and Waukesha counties (113 total zip codes) for each of the Included Hospitals and Mercy Health Services hospitals in Lake Geneva or Janesville, Wisconsin. The analysis was limited to commercial data in order to better illustrate market characteristics and changes impacting commercial insurance and self-funded health plans.

We measured changes in the overall geographic market concentration of health systems in Southeast Wisconsin by comparing measures of "predominant" health system market shares across all zip codes included in the study. The "predominant" health system was defined as the health system with the highest commercial inpatient discharge market share within each zip code. Overall measures of Southeast Wisconsin geographic market concentration were developed by summarizing total commercial inpatient hospital discharge volumes from each zip code based on the "predominant" health system market share within the zip code. Market average comparisons were developed using the weighted averages of "predominant" health system commercial market shares for each zip code.

"Predominant" health system market share measures for each zip code are included in Attachment 2 to this appendix.

VII. USES OF INFORMATION

The Foundation and Milliman encourage the business, provider, and government communities to use this information to collaborate on quality and cost improvement initiatives. We did not create this information for, and we ask that it not be used in, hospital-specific public relations efforts or for general media purposes. We also ask that this information be reviewed and used in its entirety. Market comparisons using only one measure or even a limited number of measures can be misleading. An informed comparison of health care market characteristics should also incorporate other information, particularly additional quality measures, not included in this report. This information is designed for use by the business community and health care providers, not individual consumers of health care services.

VIII. CAVEATS AND LIMITATIONS ON USE

Milliman reviewed but did not audit information obtained from public data sources to develop the estimates and measures included in this report. To the extent this information is not accurate; the results of Milliman's analyses may not be accurate. Hospital commercial payment, operating cost and cost shift burden comparisons are based on hospital financial reports filed with WHA. To the extent any of the health systems used different methods to account for the payments or operating costs of its hospitals, or include non-hospital costs or payments in their reports to WHA, our comparisons may not be valid.

Cost shift burden results pertain to aggregate commercial and governmental hospital payment levels only and do not reflect cost shift burden from non-hospital services (Physicians, Home Health, and Retail Pharmacy), unless such information is included in any hospital's reports to WHA.

Our comparisons of health system geographic market concentration are based on commercial inpatient discharge data only. Health system market shares for outpatient services and / or non-commercial payers may be different. "Predominant" health system commercial market share measures are subject to random variation from year to year, which is most likely to have the greatest effect in zip codes with low numbers of commercial discharges.

This report is designed to measure changes in certain market factors affecting hospital commercial payment levels. This information may not be appropriate, and should not be used, for other purposes.

This report is intended for use by the Greater Milwaukee Business Foundation on Health. We do not intend this information to benefit any third party.

The terms of Milliman's Consulting Services Agreement with the Greater Milwaukee Business Foundation on Health signed on September 4, 2003 apply to this report and its use.

IX. FOR FURTHER INFORMATION

Please contact Keith Kieffer, CPA, RPh, in the Milwaukee office of Milliman (Phone: 262-784-2250; Email: keith.kieffer@milliman.com) with questions and comments about the comparisons in this report.

Attachment 1

Southeast Wisconsin Health System Cost Shift Burden Comparisons

**Greater Milwaukee Business Foundation on Health
Key Factors Influencing 2003 - 2012
Southeast Wisconsin Commercial
Payer Hospital Payment Levels**

**Attachment 1
Aurora 2003 - 2012 Aggregate Cost Shift Burden**

Aurora Cost Shift Burden (in \$Millions)				
	2003	2010	2011	2012
MEDICARE	204	250	232	239
MEDICAID	89	130	120	106
GAMP	11	0	0	0
TOTAL GOVERNMENT COST SHIFT BURDEN	305	380	351	345
CHARITY CARE	11	24	23	29
BAD DEBT	46	106	119	138
TOTAL NON-GOVERNMENT COST SHIFT BURDEN	57	130	142	167
AGGREGATE COST SHIFT BURDEN	361	510	493	512
% of Commercial Payments (Total Government)	36.5%	30.8%	28.3%	27.2%
% of Commercial Payments (Total Non-Government)	6.8%	10.5%	11.4%	13.2%
% of Commercial Payments (Aggregate)	43.3%	41.4%	39.7%	40.4%

**Greater Milwaukee Business Foundation on Health
Key Factors Influencing 2003 - 2012
Southeast Wisconsin Commercial
Payer Hospital Payment Levels**

**Attachment 1
Columbia St. Mary's 2003 - 2012 Aggregate Cost Shift Burden**

Columbia St. Mary's Cost Shift Burden (in \$Millions)				
	2003	2010	2011	2012
MEDICARE	48	59	46	17
MEDICAID	16	29	1	4
GAMP	1	0	0	0
TOTAL GOVERNMENT COST SHIFT BURDEN	64	88	47	20
CHARITY CARE	4	9	12	11
BAD DEBT	15	43	37	30
TOTAL NON-GOVERNMENT COST SHIFT BURDEN	19	52	49	41
AGGREGATE COST SHIFT BURDEN	83	140	96	61
% of Commercial Payments (Total Government)	19.1%	18.3%	10.7%	6.0%
% of Commercial Payments (Total Non-Government)	5.6%	10.8%	11.2%	12.1%
% of Commercial Payments (Aggregate)	24.7%	29.1%	21.9%	18.1%

**Greater Milwaukee Business Foundation on Health
Key Factors Influencing 2003 - 2012
Southeast Wisconsin Commercial
Payer Hospital Payment Levels**

**Attachment 1
Froedert Health 2003 - 2012 Aggregate Cost Shift Burden**

Froedert Health* Cost Shift Burden (in \$Millions)				
	2003	2010	2011	2012
MEDICARE	54	99	115	137
MEDICAID	18	41	30	35
GAMP	4	0	0	0
TOTAL GOVERNMENT COST SHIFT BURDEN	76	140	145	173
CHARITY CARE	8	10	16	17
BAD DEBT	19	50	52	67
TOTAL NON-GOVERNMENT COST SHIFT BURDEN	27	60	68	84
AGGREGATE COST SHIFT BURDEN	103	200	213	257
% of Commercial Payments (Total Government)	18.6%	20.7%	20.5%	21.8%
% of Commercial Payments (Total Non-Government)	6.6%	8.9%	9.6%	10.6%
% of Commercial Payments (Aggregate)	25.3%	29.5%	30.1%	32.3%

** Includes results for SynergyHealth for all years.*

**Greater Milwaukee Business Foundation on Health
Key Factors Influencing 2003 - 2012
Southeast Wisconsin Commercial
Payer Hospital Payment Levels**

**Attachment 1
ProHealth 2003 - 2012 Aggregate Cost Shift Burden**

ProHealth Cost Shift Burden (in \$Millions)				
	2003	2010	2011	2012
MEDICARE	44	82	89	86
MEDICAID	5	13	7	5
GAMP	0	0	0	0
TOTAL GOVERNMENT COST SHIFT BURDEN	49	95	96	90
CHARITY CARE	1	5	6	5
BAD DEBT	9	23	22	22
TOTAL NON-GOVERNMENT COST SHIFT BURDEN	10	28	28	27
AGGREGATE COST SHIFT BURDEN	59	123	124	117
% of Commercial Payments (Total Government)	19.2%	26.1%	26.8%	26.5%
% of Commercial Payments (Total Non-Government)	4.0%	7.6%	7.9%	7.9%
% of Commercial Payments (Aggregate)	23.2%	33.7%	34.7%	34.4%

**Greater Milwaukee Business Foundation on Health
Key Factors Influencing 2003 - 2012
Southeast Wisconsin Commercial
Payer Hospital Payment Levels**

**Attachment 1
United 2003 - 2012 Aggregate Cost Shift Burden**

United Cost Shift Burden (in \$Millions)				
	2003	2010	2011	2012
MEDICARE	17	23	34	35
MEDICAID	5	11	14	16
GAMP	0	0	0	0
TOTAL GOVERNMENT COST SHIFT BURDEN	22	34	48	51
CHARITY CARE	2	4	4	4
BAD DEBT	5	15	16	20
TOTAL NON-GOVERNMENT COST SHIFT BURDEN	6	19	20	24
AGGREGATE COST SHIFT BURDEN	28	53	68	75
% of Commercial Payments (Total Government)	24.5%	21.7%	27.5%	26.9%
% of Commercial Payments (Total Non-Government)	7.2%	12.2%	11.4%	12.7%
% of Commercial Payments (Aggregate)	31.7%	33.9%	38.9%	39.6%

**Greater Milwaukee Business Foundation on Health
Key Factors Influencing 2003 - 2012
Southeast Wisconsin Commercial
Payer Hospital Payment Levels**

**Attachment 1
Wheaton 2003 - 2012 Aggregate Cost Shift Burden**

Wheaton Cost Shift Burden (in \$Millions)				
	2003	2010	2011	2012
MEDICARE	63	80	81	71
MEDICAID	32	34	34	32
GAMP	4	0	0	0
TOTAL GOVERNMENT COST SHIFT BURDEN	99	114	115	103
CHARITY CARE	10	14	19	28
BAD DEBT	40	62	55	57
TOTAL NON-GOVERNMENT COST SHIFT BURDEN	49	76	74	85
AGGREGATE COST SHIFT BURDEN	148	190	189	188
% of Commercial Payments (Total Government)	19.2%	20.2%	20.6%	18.4%
% of Commercial Payments (Total Non-Government)	9.6%	13.5%	13.3%	15.1%
% of Commercial Payments (Aggregate)	28.8%	33.7%	33.9%	33.5%

Attachment 2

Predominant Health System Commercial Market Share by Zip Code

**Greater Milwaukee Business Foundation on Health
Key Factors Influencing 2003 - 2012
Southeast Wisconsin Commercial
Payer Hospital Payment Levels**

**Attachment 2
Market Concentration**

Predominant Health System Key	
A - Aurora	P - ProHealth
C - CSM	S - Synergy
F - Froedert	U - United
M - Mercy	W - Wheaton

"Predominant" Health System Market Share by Zip Code

Zip Code			Predominant Health System Market Share				Predominant Health System				Commercial Discharges			
<i>City</i>	<i>County</i>	<i>Zip</i>	<i>2003</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2003</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2003</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Allenton	Washington	53002	45.5%	69.4%	63.2%	70.5%	S	F	F	F	145	85	68	78
Belgium	Ozaukee	53004	83.0%	79.6%	44.2%	60.6%	C	C	A	A	153	108	120	94
Brookfield	Waukesha	53005	49.3%	32.0%	37.2%	34.2%	W	F	W	W	900	725	716	766
Butler	Waukesha	53007	46.0%	68.8%	53.9%	59.1%	F	F	F	F	113	64	76	66
Cedarburg	Ozaukee	53012	75.6%	69.0%	52.8%	43.4%	C	C	C	C	817	654	669	579
Colgate	Washington	53017	60.2%	68.2%	73.3%	67.5%	F	F	F	F	266	233	221	191
Delafield	Waukesha	53018	69.2%	54.5%	49.8%	43.4%	P	P	P	P	289	257	237	226
Fredonia	Ozaukee	53021	69.2%	65.5%	45.2%	50.5%	C	C	A	A	247	226	197	204
Germantown	Washington	53022	63.1%	65.1%	69.9%	70.5%	F	F	F	F	1,097	727	715	723
Grafton	Ozaukee	53024	80.5%	70.1%	43.6%	51.3%	C	C	C	C	844	653	716	680
Hartford	Washington	53027	42.0%	49.4%	50.5%	45.8%	A	F	F	F	1,209	933	882	866
Hartland	Waukesha	53029	60.4%	49.2%	45.0%	49.5%	P	P	P	P	962	801	658	735
Hubertus	Washington	53033	68.7%	72.7%	70.3%	64.5%	F	F	F	F	284	198	195	169
Jackson	Washington	53037	35.8%	62.5%	61.9%	62.0%	F	F	F	F	481	419	433	461
Kewaskum	Washington	53040	61.2%	74.0%	79.3%	82.1%	S	F	F	F	330	327	285	262
Brookfield	Waukesha	53045	53.1%	37.7%	33.4%	33.4%	W	W	W	W	966	750	677	739
Lannon	Waukesha	53046	69.2%	57.1%	78.0%	62.0%	F	F	F	F	13	28	50	50
Menomonee Falls	Waukesha	53051	68.4%	69.2%	72.3%	70.7%	F	F	F	F	2,142	1,547	1,403	1,426
Nashotah	Waukesha	53058	64.7%	49.4%	52.5%	47.9%	P	P	P	P	190	87	101	119
Oconomowoc	Waukesha	53066	78.7%	55.5%	52.0%	49.4%	P	P	P	P	1,579	1,309	1,239	1,175
Pewaukee	Waukesha	53072	52.6%	50.9%	50.7%	50.2%	P	P	P	P	1,231	962	892	907
Port Washington	Ozaukee	53074	86.1%	77.2%	47.8%	56.4%	C	C	A	A	617	500	485	539
Richfield	Washington	53076	65.3%	77.6%	69.3%	71.2%	F	F	F	F	173	125	150	139
Saukville	Ozaukee	53080	78.8%	70.2%	45.1%	49.1%	C	C	A	A	312	238	224	232
Slinger	Washington	53086	37.7%	57.8%	61.8%	60.4%	A	F	F	F	374	339	353	333
Sussex	Waukesha	53089	45.6%	50.8%	46.1%	41.7%	F	F	F	F	928	716	786	761
West Bend	Washington	53090	50.9%	70.1%	70.6%	68.8%	S	F	F	F	271	863	814	762
Thiensville	Ozaukee	53092	70.2%	61.6%	55.2%	48.5%	C	C	C	C	953	658	714	653
West Bend	Washington	53095	49.9%	71.9%	68.7%	74.4%	S	F	F	F	1,424	1,025	987	1,002
Mequon	Ozaukee	53097	68.6%	52.2%	48.0%	51.2%	C	C	C	C	188	201	179	170
Big Bend	Waukesha	53103	59.5%	52.1%	47.3%	61.4%	P	P	P	P	190	169	148	145
Bristol	Kenosha	53104	47.4%	43.1%	42.2%	38.2%	A	U	U	U	209	160	173	165
Burlington	Racine	53105	74.8%	73.3%	72.4%	68.3%	A	A	A	A	1,334	961	941	946
Caledonia	Racine	53108	65.8%	51.6%	53.8%	55.6%	W	A	W	W	187	126	106	117
Cudahy	Milwaukee	53110	46.7%	63.5%	63.8%	67.8%	A	A	A	A	1,018	690	660	702
Darien	Walworth	53114	61.2%	57.1%	61.0%	56.9%	A	A	A	A	98	84	59	58
Delavan	Walworth	53115	72.4%	59.1%	55.5%	52.7%	A	A	A	A	671	428	400	383

**Greater Milwaukee Business Foundation on Health
Key Factors Influencing 2003 - 2012
Southeast Wisconsin Commercial
Payer Hospital Payment Levels**

**Attachment 2
Market Concentration**

Predominant Health System Key	
A - Aurora	P - ProHealth
C - CSM	S - Synergy
F - Froedert	U - United
M - Mercy	W - Wheaton

"Predominant" Health System Market Share by Zip Code

Zip Code			Predominant Health System Market Share				Predominant Health System				Commercial Discharges			
<i>City</i>	<i>County</i>	<i>Zip</i>	<i>2003</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2003</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2003</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Dousman	Waukesha	53118	77.7%	56.4%	47.0%	49.8%	P	P	P	P	341	202	247	231
Eagle	Waukesha	53119	69.9%	65.2%	75.5%	64.4%	P	P	P	P	312	181	188	219
East Troy	Walworth	53120	48.8%	46.4%	50.3%	49.4%	P	P	P	P	545	392	344	352
Elkhorn	Walworth	53121	74.5%	64.2%	65.4%	56.6%	A	A	A	A	933	640	596	592
Elm Grove	Waukesha	53122	43.4%	37.5%	38.0%	31.7%	W	W	W	W	249	192	184	202
Fontana	Walworth	53125	77.6%	76.5%	53.1%	40.6%	A	A	A	A	76	34	32	32
Franksville	Racine	53126	60.4%	50.4%	50.2%	45.3%	W	W	W	W	278	238	253	254
Genoa City	Walworth	53128	83.5%	83.8%	83.0%	74.1%	A	A	A	A	212	185	141	158
Greendale	Milwaukee	53129	46.5%	66.1%	64.1%	58.5%	A	A	A	A	709	442	493	455
Hales Corners	Milwaukee	53130	48.1%	54.9%	62.1%	58.5%	A	A	A	A	372	308	330	301
Franklin	Milwaukee	53132	54.3%	60.8%	56.7%	54.0%	A	A	A	A	1,573	1,365	1,351	1,258
Kansasville	Racine	53139	45.8%	43.8%	45.0%	49.1%	A	A	A	A	168	105	80	108
Kenosha	Kenosha	53140	49.1%	57.8%	54.0%	48.0%	U	U	U	U	1,243	816	806	754
Kenosha	Kenosha	53141	50.0%	0.0%	0.0%	0.0%	W	A	A	A	14	0	0	0
Kenosha	Kenosha	53142	48.6%	56.6%	51.6%	53.3%	U	U	U	U	1,440	1,352	1,228	1,195
Kenosha	Kenosha	53143	51.3%	56.1%	57.4%	51.0%	U	U	U	U	1,206	763	728	677
Kenosha	Kenosha	53144	43.8%	56.9%	47.9%	48.1%	U	U	U	U	1,094	837	852	874
New Berlin	Waukesha	53146	31.8%	32.6%	38.9%	29.9%	P	P	P	P	390	267	275	284
Lake Geneva	Walworth	53147	78.6%	75.5%	67.9%	67.3%	A	A	A	A	635	368	368	392
Mukwonago	Waukesha	53149	67.2%	65.7%	68.1%	64.0%	P	P	P	P	966	709	711	698
Muskego	Waukesha	53150	36.0%	43.8%	42.6%	42.1%	A	A	A	A	1,168	1,065	942	991
New Berlin	Waukesha	53151	36.1%	39.7%	38.9%	40.9%	A	A	A	A	1,624	1,219	1,212	1,265
North Prairie	Waukesha	53153	75.2%	64.0%	70.9%	68.1%	P	P	P	P	121	86	86	94
Oak Creek	Milwaukee	53154	48.6%	60.1%	58.3%	56.5%	A	A	A	A	1,803	1,464	1,414	1,493
Pell Lake	Walworth	53157	84.4%	0.0%	0.0%	0.0%	A	A	A	A	45	0	0	0
Pleasant Prairie	Kenosha	53158	47.9%	55.4%	55.2%	51.5%	U	U	U	U	585	525	607	555
Salem	Kenosha	53168	54.6%	47.1%	46.1%	42.4%	A	A	A	A	416	365	284	290
Silver Lake	Kenosha	53170	68.6%	45.3%	52.9%	50.6%	A	A	A	A	86	86	87	87
South Milwaukee	Milwaukee	53172	49.3%	67.2%	65.9%	64.9%	A	A	A	A	1,139	839	740	812
Sturtevant	Racine	53177	80.2%	55.0%	46.6%	60.3%	W	W	W	W	354	280	264	315
Trevor	Kenosha	53179	66.1%	49.0%	44.0%	51.9%	A	A	A	A	177	143	159	129
Twin Lakes	Kenosha	53181	73.6%	65.1%	70.6%	74.7%	A	A	A	A	254	172	177	170
Union Grove	Racine	53182	61.5%	50.3%	44.8%	53.7%	W	W	W	W	452	386	317	365
Wales	Waukesha	53183	77.9%	76.0%	60.5%	53.8%	P	P	P	P	172	100	81	65
Walworth	Walworth	53184	70.6%	76.0%	75.5%	55.2%	A	A	A	A	180	104	110	105
Waterford	Racine	53185	46.8%	48.7%	46.2%	44.5%	A	A	A	A	961	741	715	636
Waukesha	Waukesha	53186	67.9%	64.2%	66.2%	60.3%	P	P	P	P	1,951	1,231	1,298	1,254

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C - CSM	S - Synergy
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Zip Code			Predominant Health System Market Share				Predominant Health System				Commercial Discharges			
<i>City</i>	<i>County</i>	<i>Zip</i>	<i>2003</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2003</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2003</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Waukesha	Waukesha	53188	75.6%	74.5%	72.5%	71.7%	P	P	P	P	1,928	1,437	1,389	1,400
Waukesha	Waukesha	53189	67.1%	68.6%	67.8%	69.4%	P	P	P	P	1,254	1,050	1,001	993
Whitewater	Walworth	53190	52.4%	58.6%	58.2%	63.1%	M	M	M	M	164	181	146	141
Williams Bay	Walworth	53191	84.1%	60.3%	77.9%	50.0%	A	A	A	A	107	78	77	72
Milwaukee	Milwaukee	53201	40.0%	0.0%	0.0%	0.0%	C	A	A	A	35	0	0	0
Milwaukee	Milwaukee	53202	60.4%	53.0%	50.9%	50.4%	C	C	C	C	732	575	607	536
Milwaukee	Milwaukee	53204	39.9%	44.6%	43.1%	46.8%	W	A	A	A	1,273	404	429	500
Milwaukee	Milwaukee	53205	39.3%	31.1%	35.8%	42.8%	W	F	C	C	354	183	148	159
Milwaukee	Milwaukee	53206	50.1%	28.9%	29.4%	36.8%	W	A	A	A	1,213	374	347	340
Milwaukee	Milwaukee	53207	41.6%	52.0%	51.4%	50.8%	A	A	A	A	2,018	1,391	1,503	1,413
Milwaukee	Milwaukee	53208	43.0%	38.0%	38.1%	40.4%	W	A	A	A	1,434	663	701	675
Milwaukee	Milwaukee	53209	45.5%	42.6%	35.9%	32.6%	W	C	C	C	2,464	1,125	1,124	1,087
Milwaukee	Milwaukee	53210	56.6%	29.7%	29.5%	33.0%	W	W	W	W	1,432	711	644	521
Milwaukee	Milwaukee	53211	70.8%	66.9%	62.1%	57.0%	C	C	C	C	1,276	855	877	803
Milwaukee	Milwaukee	53212	43.8%	51.1%	51.7%	48.7%	C	C	C	C	1,243	585	575	528
Milwaukee	Milwaukee	53213	38.9%	34.1%	39.1%	34.2%	W	F	F	F	1,445	968	996	1,102
Milwaukee	Milwaukee	53214	38.4%	51.0%	51.4%	53.4%	A	A	A	A	1,894	1,379	1,315	1,344
Milwaukee	Milwaukee	53215	40.0%	56.0%	60.2%	56.0%	W	A	A	A	2,582	1,258	1,187	1,218
Milwaukee	Milwaukee	53216	51.8%	30.4%	34.0%	33.2%	W	W	A	A	1,829	785	721	717
Milwaukee	Milwaukee	53217	66.6%	62.3%	50.8%	46.9%	C	C	C	C	1,559	1,155	1,126	1,152
Milwaukee	Milwaukee	53218	50.8%	27.2%	30.4%	34.5%	W	W	A	A	2,191	963	960	901
Milwaukee	Milwaukee	53219	46.1%	61.4%	64.5%	65.1%	A	A	A	A	1,867	1,447	1,427	1,424
Milwaukee	Milwaukee	53220	50.2%	66.8%	64.8%	64.4%	A	A	A	A	1,422	1,038	1,069	993
Milwaukee	Milwaukee	53221	49.7%	61.3%	61.6%	59.8%	A	A	A	A	1,994	1,470	1,300	1,269
Milwaukee	Milwaukee	53222	51.5%	34.5%	32.4%	32.1%	W	F	F	F	1,469	1,114	1,088	1,005
Milwaukee	Milwaukee	53223	36.0%	36.3%	30.7%	34.4%	W	C	A	A	1,493	849	870	837
Milwaukee	Milwaukee	53224	36.0%	43.2%	39.0%	42.3%	W	F	F	F	1,050	623	618	515
Milwaukee	Milwaukee	53225	43.3%	36.0%	35.5%	38.8%	W	F	F	F	1,481	741	732	696
Milwaukee	Milwaukee	53226	43.2%	35.2%	44.2%	41.3%	W	F	F	F	940	753	832	732
Milwaukee	Milwaukee	53227	46.4%	61.9%	59.6%	60.9%	A	A	A	A	1,175	980	883	983
Milwaukee	Milwaukee	53228	50.4%	59.4%	62.2%	53.7%	A	A	A	A	738	522	584	547
Milwaukee	Milwaukee	53233	35.1%	64.5%	50.6%	56.6%	W	A	A	A	279	107	79	99
Milwaukee	Milwaukee	53235	45.6%	54.7%	58.4%	59.3%	A	A	A	A	432	393	370	386
Racine	Racine	53402	78.3%	62.6%	63.7%	67.3%	W	W	W	W	1,826	1,193	1,203	1,292
Racine	Racine	53403	82.5%	69.3%	70.3%	68.7%	W	W	W	W	1,312	792	782	904
Racine	Racine	53404	85.5%	79.0%	77.0%	71.7%	W	W	W	W	718	357	378	459
Racine	Racine	53405	81.2%	72.0%	68.2%	69.4%	W	W	W	W	1,496	948	1,035	1,015

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Racine	Racine	53406	79.8%	65.5%	62.0%	67.9%	W	W	W	W	1,241	991	1,054	1,033
Sharon	Walworth	53585	61.9%	53.2%	61.4%	54.0%	A	A	A	A	63	62	44	50
Total											96,872	67,078	65,650	65,126