

# GREATER MILWAUKEE BUSINESS FOUNDATION ON HEALTH, INC.

## NEWS RELEASE

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### FOR MORE INFORMATION

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### **Area Health Care Costs are Increasing but are Closer to the Midwest Average than Previous Studies According to Greater Milwaukee Business Foundation on Health**

Milwaukee...The Greater Milwaukee Business Foundation on Health, Inc. (GMBFH), known for its research on the cost, efficiency and quality of health care in the greater Milwaukee area, has released the results of its third overall cost study at a meeting of providers, insurers, business and community leaders on Tuesday, November 3<sup>rd</sup>. It concludes that Southeast Wisconsin healthcare commercial premium costs are 9% higher than the average cost in the Midwest.

"This is a vast improvement since our study of 2000 data when we were 55% higher and the study of 2003 data when we were 39% higher than our colleagues in comparable Midwest states," said Ron Dix, the Foundation's Executive Director.

The two main authors of the study are consulting firms Mercer and Milliman.

The findings are based on the analysis of 2006 and 2007 combined employer and employee health care premium costs of commercial health plan members under the age of 65, and includes residents of Milwaukee, Waukesha, Racine, Ozaukee, Kenosha, Walworth, and Washington counties, and represents more than \$1.7 billion in health care costs from approximately 450,000 members and dependents for each year. These figures include the cost for medical, prescription drug, mental health, vision, hearing, etc., but not dental, and correspond to comparable figures from Illinois, Indiana, Ohio, Michigan, Minnesota, Iowa, North Dakota, South Dakota, Missouri, Kansas and Nebraska.

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The study authors have taken great pains to ensure the comparisons in this study are consistent with those presented in the Foundation's two previous studies on this subject.

"Although the results of this study are more positive than the previous two, the demographics of our employees, higher provider payment levels and richer benefit plan designs in Southeast Wisconsin are the primary reasons our costs are higher than in other Midwest states," Dix continued.

"These findings clearly underline the complexity of the problem and that there are no single solutions," said Dix.

Some of the factors listed in the study as contributing to these higher than average costs include:

- This area had a higher average age of participants (43 vs. 41) than the others.
- Southeast Wisconsin employers offered slightly richer plan designs than comparative plans in the other states.
- Provider payments in Southeast Wisconsin are 9% higher than the Midwest average.

A reason that helped to keep this level at 9% is the utilization and services mix in this area was 6% below the Midwest average. During the last study they were estimated to be 2% above the Midwest average.

What does this mean in real dollars?

#### TOTAL PER EMPLOYER PER YEAR HEALTHCARE PREMIUM COSTS

	<u>2006</u>	<u>2007</u>
SE Wisconsin	\$7,946	\$8,204
Midwest	\$7,136	\$7,536
National	\$7,002	\$7,390

#### PROVIDER REIMBURSEMENT:

Overall, provider payment levels were 9% higher than the Midwest average. Hospital payment levels in Southeastern Wisconsin were slightly higher than Midwest averages. Physician payment levels were 24% higher than Midwest averages.

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	<u>SE WISC.</u>	<u>MIDWEST</u>
Hospital		
• Average cost per inpatient day	\$3,486	\$3,400
• Average cost per inpatient admission	\$13,758	\$13,600
Physician		
• Percentage of 2007 Medicare RBRVs Fee Schedule	180%	145%

“The Foundation board and area employers are buoyed by the efforts of area providers in working with us to lower health care costs. We look forward to a time when we are among the areas with the lowest premium costs in the Midwest, and the nation,” Dix said.

The Greater Milwaukee Business Foundation on Health, Inc., was created as a private operating foundation in 2002. Its mission is to undertake studies, programs and activities that promote the general health of the persons residing in the greater Milwaukee community or advance their awareness of health and health care delivery issues affecting them and/or the community.

For more information about the foundation, its board of directors, past and current initiatives and a copy of the complete report, definitions and appendices visit the website: [www.gmbfh.org](http://www.gmbfh.org).