

Study for the first time sheds light on prices for specific Wisconsin hospitals



The prices that employers and employees pay overall for health care are 38% higher at Aurora St. Luke's Medical Center and 23% higher at Froedtert Hospital than at Ascension Columbia St. Mary's Hospital Milwaukee.

Those are just a few examples from a study that for the first time provides information on what specific hospitals charge private health plans in the Milwaukee area and throughout the state.

It is information that has been largely kept confidential by health systems and health insurers.

"That's the problem — the lack of transparency in health care around price," said Cheryl DeMars, the CEO of the Alliance, an employer coalition based in Madison. "And by that I mean the money that is coming out of the pockets of employers and their employees — the people who are actually paying the bills."

The study is a step toward changing that.

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It was done by Rand Corp., a nonprofit research organization, as part of a national study and was based on insurance claims paid by employers who offer health benefits.

Companies that belong to two employer groups — the Business Health Care Group based in Milwaukee and the Alliance — as well as other employees in Wisconsin provided their insurance claims to the researchers at Rand for the study.

The study shows the wide variation in hospital prices, even among hospitals within the same metro area and the same health system.

For example, prices at Aurora Health Care's hospitals in Milwaukee and Cudahy are 32% higher than those at Aurora West Allis Medical Center, and prices at Ascension Columbia St. Mary's Hospital Ozaukee are 25% higher than those at its sister hospital in Milwaukee.

The study also raises the question why the prices paid by health plans are 32% higher at Aspirus Wausau Hospital than at ThedaCare Regional Medical Center in Neenah or why they are 46% higher at Froedtert West Bend Hospital than at Gundersen Lutheran Medical Center in La Crosse.

"There's a dramatic difference in what they are getting paid," said Dave Osterndorf, an actuary and a consultant to the Business Health Care Group. "So, this whole idea that nobody is able to do OK at lower price levels is pretty strongly belied by the facts."

The Rand study used the set rates that Medicare pays for hospital inpatient, outpatient and physician services as a benchmark to show what employer health plans pay for the same care.

Compared to the rates that Medicare pays, the prices paid by health plans are:

- 3.46 times higher at Aurora St. Luke's Medical Center, Aurora Sinai Medical Center and Aurora St. Luke's South Shore.
- 3.08 times higher at Froedtert Hospital.
- 2.89 times higher at Waukesha Memorial Hospital.
- 2.77 times higher at Aurora Medical Center Grafton.
- 2.51 time higher at Ascension Columbia St. Mary's Hospital Milwaukee.
- 2.1 times higher at the Orthopaedic Hospital of Wisconsin.

"Having the benchmark to Medicare allows us to ask the question, 'What is the fair price?'" DeMars said. "We are dealing with the increasing unaffordability of health care for people."

The benchmark also shows that some hospitals and health systems have much lower prices.

"It demonstrates that things don't have to be the way they are," DeMars said.

Nationally, the Rand study found that private health plans offered by employers pay on average 247% of what Medicare pays for the same care. In Wisconsin, prices on average are an estimated 2.9 times — or 290.5% — higher than what Medicare pays.

It works out to 17.6% more than the national average — and 53% more than employers and employees pay in Michigan and 41% more than they pay in Pennsylvania, two of the states with the lowest costs.

Wisconsin had the 10th highest hospital costs overall in the national study. By specific services, the state had the:

- 2nd highest prices for physician and other professional services
- 7th highest prices for outpatient services

- 12th highest prices for inpatient services

Studies have shown that hospital prices and physician fees are higher in Wisconsin, particularly eastern Wisconsin, for years. But the Rand study allows employers and others to compare costs at specific hospitals.

The study also found that prices continue to increase: They rose an estimated 10% on average nationally from 2016 to 2018.

“The trend is going very much in the wrong direction,” Osterndorf said. “A lot of this conversation that we somehow have costs under better control really isn’t true.”

Hospital services account for 40% to 60% of private health plans’ medical costs, which exclude prescription drugs and administrative costs, he said.

Increasing burden of health care

About 153 million people nationally get health insurance through an employer. And with deductibles that can total \$10,000 a year for a family, the cost of health care has become a burden even for people with insurance.

“Health care is unaffordable,” said Jeff Kluever, executive director of the Business Health Care Group. “It’s just that simple.”

The Wisconsin Hospital Association said it still was reviewing the study.

“We caution against drawing sweeping conclusions until a more robust review and analysis can be completed,” Eric Borgerding, the CEO of the hospital association, said in a statement.

The Wisconsin Hospital Association released its own study days before the national Rand study was released.

That study — done by HC Trends, a research affiliate of BSG Analytics in Pewaukee — found that Wisconsin has high value health care when taking into account quality and efficiency.

But Osterndorf said that implies that the lower-priced hospitals and health systems in Wisconsin are not efficient.

“And there is no indication that Froedtert is more efficient than ThedaCare,” he said.

The Rand study instead shows that Froedtert Hospital’s prices are 23% higher than ThedaCare Regional Medical Center — and that Froedtert West Bend Hospital’s prices are 49% higher.

Studies also have shown that [prices](#) are the main reason health care costs continue to increase for employers and employees.

“It’s not surprising that the trade association would criticize the study,” DeMars said. “But I think it is difficult to find anyone who is defending the status quo or believes that health care doesn’t cost too much.”

Affordability a goal for some systems

There are physicians and health systems, she said, that want to make health care more affordable.

Tim Bartholow, a physician and chief medical officer of NeuGen, which manages health plans for WEA Trust and Health Traditions, also said there are examples throughout the state of health system that are working to provide quality care a lower price.

A new employee who makes \$30,000 a year now can have a deductible of \$2,500 or more, he said. And many if not most physicians are becoming more aware of costs, but they need more information on prices.

“There is a dramatic absence of information on the cost of care that doctors have available to them,” Bartholow said.

Economists contend that the cost of health benefits — which are part of total compensation — [comes from workers](#) by limiting what employers can pay them.

“If you are a worker, those rising health care costs are coming directly out your paycheck,” said Christopher Whaley, a policy researcher at Rand and the study’s lead author.

Study reviewed \$33.8 billion in claims

The national study was based on approximately 750,000 claims for inpatient hospital stays and 40.2 million claims for outpatient services, including physician and other professional fees, from 2016 to 2018. The Wisconsin claims data is just for 2018.

The claims totaled \$33.8 billion and were primarily from employers who self-insure, or pay most of the health care costs of their employees and families, in 49 states and the District of Columbia.

Six states also contributed data from what are known as all-claims databases. And a few regional insurers contributed claims.

The study was paid for by the Robert Wood Johnson Foundation, which funds research and programs on health care, and the employers who contributed their claims data.

The study builds on two previous studies by Rand — the first done in collaboration with the Employers’ Forum of Indiana, the Indiana counterpart to the Business Health Care Group and the Alliance.

Wisconsin employers, including many of the largest employers in the Milwaukee area, contributed one of the largest data sets of the states, said Kluever of the Business Health Care Group.

“We are going to keep our foot on the pedal as it pertains to data and utilization of that data for measurement,” he said. “This is not a one and done study.”

Rand has begun work on a fourth study, Kluever said, and he expects even more state employers to contribute data for that study.

Getting the claims data for the most recent study, though, took some work.

“The employer community has really pushed hard to get data passed along to Rand,” Osterndorf said.

Insurers often are reluctant to give claims data to employers. And many contracts between health systems and insurers prohibit sharing detailed information on prices with employers and patients.

As a result, researchers often are barred from identifying specific hospitals in studies on costs.

(The Trump administration last year issued a rule that will require health systems to disclose the prices that they negotiate with insurance companies. The American Hospital Association sued to stop the rule from going into effect. A federal judge sided with the administration this summer, but the hospital association has said it will appeal the decision.)

The researchers at Rand were able to sidestep the contracts between health systems and insurers by not disclosing the prices negotiated for specific services, such as a knee replacement, or for specific health plans.

They instead compared the overall prices to Medicare rates, which are set prices with some variation for the cost of living and other variables.

The Wisconsin Hospital Association noted that the study was based on just 3% of the payments from commercial health plans to Wisconsin hospitals.

But Whaley was confident that the sample size for the state — more than \$300 million in medical claims for 2018 — was adequate.

The study required a minimum number of claims for each hospital, though the results for Mayo Clinic Health System's hospitals in La Crosse and Eau Claire, which had the highest prices in the study, may not reflect the actual costs. This is because of the small sample size and because the hospitals are not in some health plans' networks.

But Osterndorf said that the study is transparent on the number of claims for each hospital and includes supplemental material on the data.

"There is nothing hidden here, and I give Rand a huge credit for that," he said. "You do not usually see this amount of backup information in a study such as this."

The study's goal was to provide employers with information about the prices they and their employees are paying for hospital services.

That, though, is just the first step.

"A big part of this," Osterndorf said. "is employers simply have to do something with it now."