



**CITIZEN
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**Wisconsin Health Insurance Cost Rankings
2008**

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Release Date: December 4, 2007

Executive Summary

This is the second annual report on Wisconsin metro and regional health insurance costs. Last year, this analysis was published under the auspices of the Institute for One Wisconsin.¹ This year the analysis, conducted by the same author, is being released by Citizen Action of Wisconsin.

Although there has been a great deal of attention to higher than average health insurance costs in Wisconsin, especially in Southeastern Wisconsin, there has been very little analysis of relative cost between the regions and metro areas of the state. The first report released last year received a great deal of attention because it provided such a measure. It showed that although costs are high across the entire state, that some regions of the state pay thousands of dollars more for health insurance than others.

This analysis of 2008 health insurance rates finds a 26% cost variation between the highest and lowest cost areas. This amounts to nearly a \$4,000 annual difference in the cost of a family policy and over a \$1,500 difference in the cost of a single policy for the same benefits package. The report also finds nearly a 10% variation between the state average and the highest cost metro areas. As it did last year, the analysis finds that Northwestern Wisconsin has even higher health insurance costs than Southeastern Wisconsin.

Figure 1: Metro Area Health Insurance Cost Rankings

	Metro Area	Monthly Premium for Single Coverage	Monthly Premium for Family Coverage
1.	Eau Claire, Chippewa Falls, Menomonie, Superior, Hudson, River Falls	\$627.13	\$1564.20
2.	Milwaukee, Racine	\$622.58	\$1552.78
3.	Rhineland	\$621.10	\$1549.10
4.	Kenosha	\$614.27	\$1532
5.	La Crosse, Tomah, Sparta	\$605.80	\$1510.80
6.	Wausau, Stevens Point, Wisconsin Rapids	\$599.30	\$1494.60
7.	Green Bay, Manitowoc, Sheboygan	\$566.18	\$1411.75
8.	Beaver Dam, Watertown	\$564.43	\$1407.38
9.	Appleton, Oshkosh	\$562.40	\$1402.30
10.	Fond du Lac	\$560.14	\$1396.66
11.	Monroe	\$556.75	\$1388.20
12.	Fort Atkinson	\$553.83	\$1380.88
13.	Platteville, Dodgeville	\$535.76	\$1335.72
14.	Janesville, Beloit	\$531.37	\$1324.73
15.	Madison	\$499.68	\$1245.50

Figure 2: Regional Health Insurance Cost Rankings

	Region	Monthly Premium for Single Coverage	Monthly Premium for Family Coverage
1.	Northwest	\$612.56	\$1527.76
2.	Southeastern	\$598.92	\$1493.62
3.	Central	\$584.30	\$1457.06
4.	State Average	\$572.64	\$1427.92
5.	Northeast	\$561.79	\$1400.77
6.	Southwestern	\$549.99	\$1371.07
7.	South Central	\$530.31	\$1322.10

The 2008 numbers also show that although Northeast Wisconsin has slightly below average health insurance costs, that the rate of increase is the fastest there. Appleton and Oshkosh had a 12% increase, and Green Bay had 10% increases over 2007 rates (see figure 7).

Building on earlier research, the analysis provides additional evidence that the consolidation of health systems is a major health insurance cost driver. It also provides evidence that “managed competition” between health plans, in combination with large buying pools--as has been proposed in the Senate’s *Healthy Wisconsin* plan--may place downward pressure on health care coverage costs. Finally, the data do not support the contention that cost shifting due to low Medicaid reimbursement rates is a major factor in regional health care cost variations.

Introduction

Although health insurance hyperinflation is a national phenomenon, there is a substantial research indicating that the problem is even worse in Wisconsin, and especially in Southeastern Wisconsin.

- A November 2007 annual survey by Mercer Health & Benefits, LLC, found Wisconsin health insurance costs to be 23% above the national average (\$1,868 more per employee).²
- According to a survey of employers in Wisconsin and Minnesota by Compdata in July, health insurance costs in both states are on a pace to increase by 10.5% in 2007, 4-5% above the national average.³
- According to other estimates, Wisconsin health insurance costs have increased from 1-3% faster than the national average in 2007.⁴
- According to an actuarial analysis by the Lewin Group, Wisconsin health care costs will nearly double in the next 10 years, from \$18.5 billion in 2007 to \$35 billion in 2017.⁵

- Health insurance costs are very volatile in some regions of the state. For example, the City of Eau Claire was hit with a 57% increase in its 2008 rates.⁶
- The 2005 Health Care Cost Quotient ranked Wisconsin second highest in the nation in employer health care costs.⁷
- A 2005 GAO Study found that out of 319 metro areas, 8 of the top 10 cities in the nation for physician costs, and 2 of the top 10 cities for hospital costs, are in Wisconsin.⁸
- A 2006 study commissioned by the Greater Milwaukee Business Foundation on Health found Milwaukee's per unit hospital costs to be 14-26% higher than other Midwestern cities.⁹
- A 2005 study concluded that Milwaukee's medical service costs were 27% higher than other Midwestern cities.¹⁰
- According to a 2006 Greater Milwaukee Business Foundation on Health study, specialists in Milwaukee charge 30-40% more for the same procedures as their counterparts in Cincinnati, St. Louis, and Kansas City.¹¹
- A 2004 GAO Study found Milwaukee metro area health care costs are 27% above the national average.¹²

Health insurance hyperinflation is placing severe stress on Wisconsin's employer-based health insurance system. Laura Dresser and Joel Rogers of the Center on Wisconsin Strategy observe in *The State of Working Wisconsin, Update 2007*: "the private insurance system continues its precipitous decline." In 1979, 73% of Wisconsin workers had health insurance through their jobs, but by 2005 the share had dropped to 58%.¹³ The most current and reliable national research shows most of this decline in employer-based coverage has occurred during this decade. According to the Kaiser Family Foundation/Health Research and Educational Trust's annual survey, the benchmark survey of employer health insurance coverage, the proportion of employers offering coverage has decreased by 9% since 2000. Most of this decline has come from small firms with less than 50 employees, especially those with fewer than 10 employees. In fact, the proportion of the smallest employers offering health insurance benefits has dropped 13% since 2002, from 58% to 45%. The Kaiser/HRET 2007 survey concludes that rising insurance costs are the primary cause of declining employer coverage.¹⁴

It is widely recognized that spiraling health insurance costs are endangering access to affordable health care for a rising share of the population, and increasingly discouraging the underinsured from seeking needed preventive care or chronic disease management. In addition, there are mounting concerns that Wisconsin's relatively high health care costs are damaging the state's ability to create and attract family supporting jobs by making job creation much more expensive.

While there has been an increasing focus on relatively higher costs in Wisconsin, and especially in the Southeastern corner of the state, there has been little attention to health care cost differentials between the various regions of the state.

Last year's report showed that there are indeed substantial geographic differences in Wisconsin's health insurance costs. If these differences persist, some regions of the state may have a competitive advantage over others. In addition, if some regions and metro areas are having more success in containing health care costs, they may present useful lessons for the rest of the state.

This report concludes that with some variations, major geographic health insurance cost differences persist in Wisconsin. Based on 2008 data, this report also suggests some possible causes for these regional cost variations.

Methodology

This analysis compares the relative health insurance costs across regions and metropolitan areas of Wisconsin by analyzing the 2008 rates paid by the State of Wisconsin's Group Health Insurance Program. In 2006, the program covered over 194,000 individuals, including state employees, state retirees, some local government employees and retirees, and their immediate families and dependents.¹⁵ There are 22 participating private health insurance plans in the program covering every county in the state.

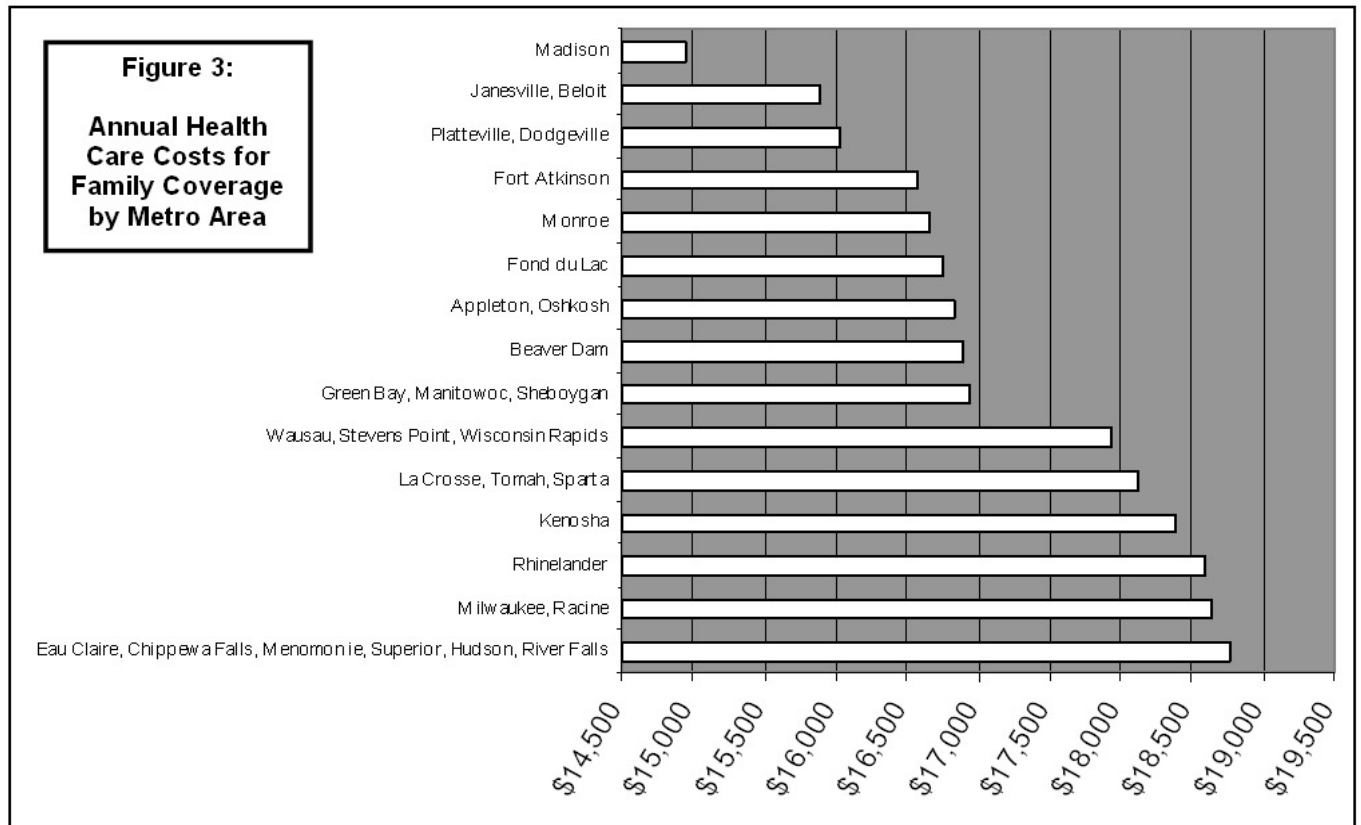
The Wisconsin Group Health Insurance Program's uniquely competitive bidding process, geographic breadth, and uniform benefits package make it a useful surrogate for regional and metropolitan private health insurance markets. In 2003, the State switched to a three-tiered bidding process, which requires members who select higher cost Tier 2 and Tier 3 plans to pay substantially higher premiums. Plans in all three tiers provide uniform benefits, with plans which score higher on several quality indicators receiving extra credits in the scoring process. As the boundaries between the tiers are not set in advance of the process, insurers have a strong incentive to bid as low as possible. Tier 2 and Tier 3 plans attract far fewer participants during the annual Open Enrollment process due to the higher premiums charged to enrollees. As the tiered system creates a powerful incentive to make the lowest responsible bid, the rates that the State of Wisconsin is able to obtain through this annual process is a barometer of the private health insurance market in each region. In addition, as the program requires a uniform benefits package across all 22 participating health plans, it offers a rare opportunity to compare relative costs for the same bundle of services.

We first used this methodology in the 2007 report. The methodology is comparable to that used by the GAO's 2005 national study of variations in physician rates between metropolitan areas. Previously, there had been a great deal of research into geographic differences in health care utilization, but very little into geographic cost differentials. The GAO study analyzed regional cost variations accrued by the Federal Employee Health Benefits Program (FEHBP). FEHBP is the largest private health insurance program in the country, with over 8 million enrollees.¹⁶

One of the criticisms of the GAO study is because it looked at retrospective FEHBP Preferred Provider Organization (PPO) claims data, its results may have been out of date. The following analysis of Wisconsin Group Health Insurance Program, like its predecessor in 2007, does not have the same weakness, as it examines 2008 insurance rates rather than retrospective cost reports. On the other hand, because it examined actual claims, the GAO study was able to break down its analysis into various cost centers, something that cannot be presently done with aggregate Wisconsin Group Health Insurance rates. The data presented in this analysis is descriptive rather than predictive.

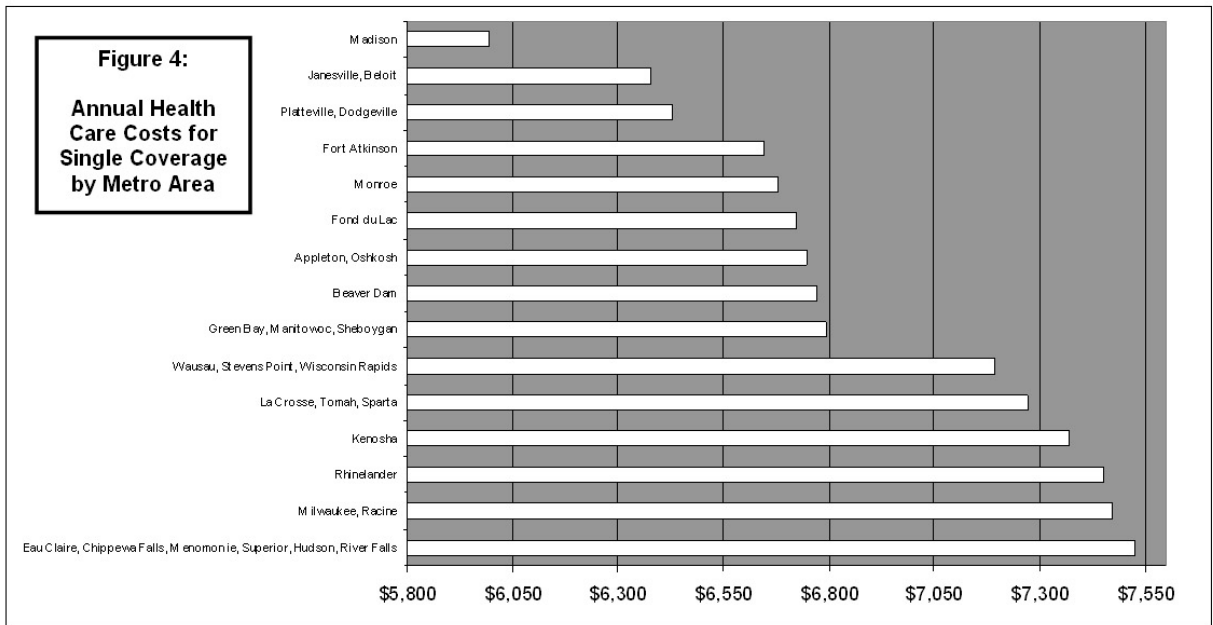
Results

Although there has been a great deal more attention paid to higher than average health insurance costs in Milwaukee and in Southeastern Wisconsin, as it did last year this survey finds that costs are actually higher elsewhere. Health insurance premiums paid in Eau Claire, for example, are \$137 per year higher than Milwaukee for a family plan.



Wisconsin 2008 Group Health Insurance rates reflect wide cost variations between the regions and metro areas of the state for the same health insurance benefits package. The range of cost differential is 26%. The highest cost metro areas--Eau Claire, Chippewa Falls, Menomonie, Hudson/River Falls, and Superior--are 26% higher than Madison, which is the lowest cost metro area.

Milwaukee and Racine are 25% more costly than Madison, La Crosse is 22% more costly and Wausau, Stevens Point, and Wisconsin Rapids are 20% more costly.



The highest costs regions are Northwestern, Southeastern and Central Wisconsin, and the lowest are Southwestern and South Central Wisconsin, with Dane County dramatically lower than any other region. Northeastern Wisconsin is in the middle, hovering around the state average.

Figure 5: Annual Health Care Costs for Single Coverage by Region

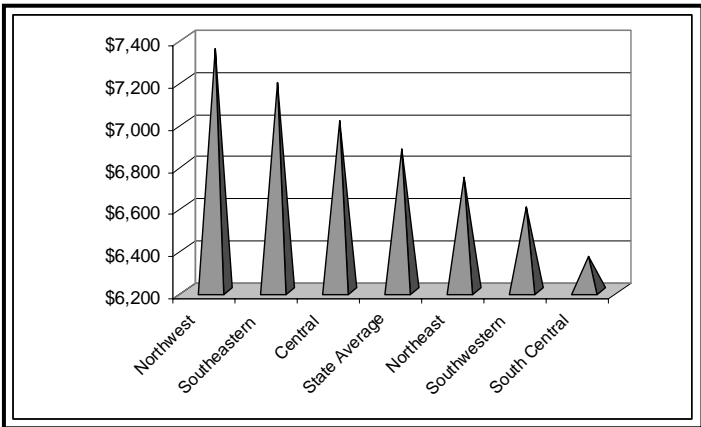
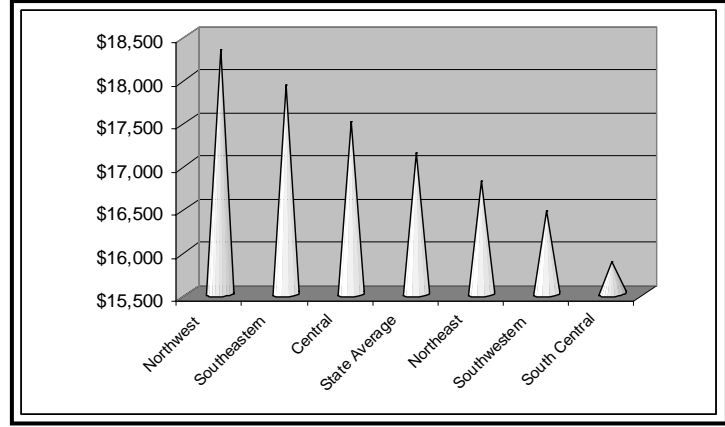


Figure 6: Annual Health Care Costs for Family Coverage By Region



There were only minor variations in the metro and regional rankings from last year's report. Racine, which was the highest cost city last year, moved down to a tie for 2nd with Milwaukee due to the addition of a new qualified health plan.

Several metro areas in Western and Northwestern Wisconsin moved up to a tie for first place—Eau Claire, Chippewa Falls, River Falls/ Hudson, and Superior.

The rate of premium increase over the 2007 rates was 6% state wide. The increase leaders tended to be the lower cost areas, with the largest bump in the Northeast. Appleton and Oshkosh had a 12% increase, Green Bay had a 10% increase, and the Sheboygan/Manitowoc area had a 7% increases. There were also higher than average increases in South Central Wisconsin, where Janesville and Beloit had 8% increases, and Madison had a 7% increase.

Figure 7

Metro Area	Rate of Increase
Appleton / Oshkosh	12%
Green Bay	10%
Janesville / Beloit	8%
Sheboygan / Manitowoc	7%
Madison	7%
State Average	6%

Discussion

Large regional variations in health insurance costs raise critical public policy questions. Although the data presented here is not sufficient to ascribe causation, it does reinforce several significant conclusions reached in other recent studies.

First, the relatively lower cost of health insurance in the Madison area suggests the possibility that greater buying power, when combined with a competitive bidding process, may leverage lower costs. The Group Health Insurance Program has by far the most bargaining leverage in Dane County, where over 81,576 of its 194,192 members reside. Healthy Wisconsin, the health care reform plan passed by the Senate in June, relies on a bidding process similar to the state plan and large buying pools to lower health insurance costs. Relatively lower health insurance costs in the Madison area for the Group Health Insurance Program lend empirical support to this approach to cost containment.

Second, this analysis reinforces the conclusion of previous research by the GAO and the Milwaukee Business Foundation for Health that cost shifting from Medicaid and Medicare do not appear to be a major factor in health care cost

variations.¹⁷ If cost shifting were a controlling variable, one would expect to see the highest health insurance costs in metro areas and regions of the state with much higher than average Medicaid utilization, poverty rates, or proportions of individuals with out health insurance. Yet the some of the highest cost areas, such as Eau Claire, River Falls/Hudson, and Superior, do not fit this pattern.

Third, the geographic distribution of health insurance costs reflected in this data also reinforces the conclusions reached by GAO and the Milwaukee Business Foundation for Health that the structure of competition within regional health care markets, and especially the market predominance of large health systems, is a dominant health insurance cost driver. The regional cost variations reflected in this analysis correspond to the regional footprints of the major health systems in Southeastern, Western, and Central Wisconsin. Madison, which has the most competitive health care provider market, has by far the lowest health insurance rates.¹⁸



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Citation for this Report: Robert Kraig, “Wisconsin Health Insurance Cost Rankings 2008,” Citizen Action of Wisconsin, December 4, 2007.

Graphics by Steve Schwartz

¹ Report author Robert Kraig did the first report last year under the auspices of the Institute for One Wisconsin. See Robert Kraig, “Regional Variations in Wisconsin Health Insurance Costs,” Institute for One Wisconsin, 2006.

² Guy Bolton, “Health Cost Increases Slow,” *Milwaukee Journal Sentinel*, November 20, 2007, <http://www.jsonline.com/story/index.aspx?id=688195>.

³ David Phelps, “Medical Premiums up About Ten Percent,” *Minneapolis Star-Tribune*, July 18, 2007.

⁴ Mike Ivey, “Health Insurance Premiums, Workers’ Anxiety, Rise,” *Capital Times*, September 14, 2007; Bolton, “Health Cost Increases Slow.”

⁵ The Lewin Group, “Healthy Wisconsin—Your Choice--Your Plan: Cost and Coverage Impacts,” June 2007, 11.

⁶ Julian Emerson, “Increase Sickens City: Health Insurance Increase Comes As Shock,” *Eau Claire Leader Telegram*, April 5, 2007.

⁷ Michael Keating, “Health Care Expenses are a Key,” *Expansion Management* (February 2005): 26.

⁸ US Government Accountability Office, *Federal Employee Health Benefits Program, Competition and Other Factors Linked to Wide Variation in Health Care Prices*, August 2005, 14.

⁹ Keith Kieffer and Clark Slipher, *Factors Contributing to Higher Hospital Inpatient Payment Levels in Milwaukee*, Greater Milwaukee Business Foundation on Health, April 26, 2006.

¹⁰ Greater Milwaukee Business Foundation on Health, *The Cost Efficiency of Milwaukee Health Care, 2001-2003*, March 17, 2005.

¹¹ Merton D. Finkler and Wayne Wendling, *The Physician Marketplace—A Comparison of Central USA Metropolitan Areas*, Greater Milwaukee Business Foundation on Health, September 21, 2006.

¹² U.S. Government Accountability Office, *Milwaukee Health Care Spending Compared to Other Metropolitan Areas*, August 2004.

¹³ Laura Dresser and Joel Rogers, *The State of Working Wisconsin, 2007 Update*, Center on Wisconsin Strategy, September, 2007, 3.

¹⁴ Kaiser Family Foundation/Health Research and Educational Trust, “Employer Health Benefits 2007,” Annual Survey, September 2007, 29, 32.

¹⁵ Data from Wisconsin Department of Employee Trust Funds, February, 2006.

¹⁶ US Government Accountability Office, *Federal Employee Health Benefits Program, Competition and Other Factors Linked to Wide Variation in Health Care Prices*, 6.

¹⁷ Finkler and Wendling, *The Physician Marketplace—A Comparison of Central USA Metropolitan Areas*, 14; GAO, *Federal Employee Health Benefits Program*, 9-10, 18.

¹⁸ GAO, *Federal Employee Health Benefits Program*, 4, 8, 18. Also see Kieffer and Slipher, *Factors Contributing to Higher Hospital Inpatient Payment Levels in Milwaukee*, Greater Milwaukee Business Foundation on Health, April 26, 2006.