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Finding solutions to rising health costs will help everyone

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Soon, many companies will start the open enrollment process, during which employees receive information on health care benefits for 2004.

Nationwide, companies are cutting back on benefits or restructuring plans to adapt to the continuing rise of health care costs. Some are eliminating health benefits or cutting jobs, and others are initiating surcharges for large families or limiting spousal coverage.

Regardless whether it is government, privately owned or publicly traded companies, every employer is facing the crunch to provide employees with quality and affordable health care.

There is no debate that rising health care costs are a crisis for businesses nationwide, and the situation is no different, if not worse, here in southeast Wisconsin. A study last year found that southeast Wisconsin faces health care costs that are significantly higher than other Midwest cities, and projections estimate health care costs will rise more than 14% in 2004.

In addition, other research shows that charges for identical services in southeast Wisconsin can vary by as much as 400% (office visits, for example) with no measurable difference in quality.

In response to these concerns, a number of companies, including Rockwell Automation, launched the Business Health Care Group of Southeast Wisconsin. Group members, which are some of our area's largest employers, are committed to providing employees with quality, affordable health care coverage while ensuring their business continues to be competitive, and ultimately operates here for many years to come.

Two objectives

After months of data collection and analysis, as well as conversations with several local health care organizations, the Business Health Care Group is introducing a maximum allowable charge (MAC) philosophy for providing health care benefits to members' employees.

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The MAC approach is intended to accomplish two objectives.

One is to remove the extreme price variation that exists in southeast Wisconsin. All reimbursements for about 7,600 coded medical procedures and some outpatient services will be capped at a rate that is equivalent to the median of the region's average charge for the service, or about 150% of the Medicare reimbursement level.

Some have questioned the fairness of this level, but it was a decision made with much consideration. Ultimately, this level was selected because it impacts the most expensive providers while rewarding efficient providers.

It also represents the median for the marketplace - half of the providers are already at or below the MAC level - and is set higher than the Midwest's average reimbursement level for these services, which is only 130% of Medicare.

The second objective of the maximum allowable charge is to reward providers who are offering efficient care. It is the Business Health Care Group's intent to encourage their employee members to use physicians who already charge at or below the MAC rate - about half of all physicians in the region - plus those who agree to accept the MAC level going forward.

Employees can still opt to see any physician they choose, but they will be responsible for the additional cost or can negotiate the price if the physician charges more than the MAC.

Choice, cost control

Through these two objectives, the Business Health Care Group expects to gradually bring prices in Southeast Wisconsin to comparable Midwest levels and to give employees as much provider choice as possible.

Certainly, there has been some criticism of the maximum allowable charge by physicians who charge on the upper end of the range and from others, but there has been strong support from businesses, physicians, health care leaders and employees.

Businesses are pleased that the group tackled the issue and produced a real and tangible solution.

Employees are pleased the situation is being addressed now before any loss of benefits or more job cuts occur.

And even many in the health care industry realize that we need to solve the problem of rising health care costs collaboratively and have pledged cooperation and support.

Is the MAC a magic bullet to end the health care crisis? No. But it is also not the only initiative being driven by the Business Health Care Group.

The group is working with organizations, including the Wisconsin Healthcare Purchasers for Quality, to gather and share health care outcome and quality information. This information is not now publicly available on a consistent basis or by provider. The Business Health Care Group believes this is unacceptable and challenges the

provider community to make this information available now.

In addition, the group is also developing a community-based care management program. This program will provide our employees who have chronic conditions with resources and tools to manage their illness and care most efficiently. This is a resource that is sorely needed in today's maze-like health care market.

Big challenge

To be sure, this is a major undertaking, but we think an important one. As with any initiative of this magnitude, there will be naysayers, but we will not be deterred. This issue is far too important to everyone in southeast Wisconsin.

Ultimately, the Business Health Care Group believes that bringing our health care costs in line with other Midwest cities, and introducing cost and quality information to the consumer, will be steps that will benefit not only our companies and employees, but also everyone throughout the region by protecting businesses, jobs and benefits.

Don Davis is chairman and CEO of Rockwell Automation, a founding member of the Business Health Care Group of Southeast Wisconsin. Other members are Badger Meter, Brady, Briggs & Stratton, Bucyrus International, DaimlerChrysler, Harley-Davidson, Johnson Controls, Journal Communications (publisher of the Milwaukee Journal Sentinel), Ladish, Manpower, Marshall & Ilsley, Midwest Airlines, Miller Brewing and Snap-on. In addition, the Kenosha Area Business Alliance and the Ozaukee Employers Coalition on Health are members and together represent more than 28 smaller businesses.

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