

Review & Commentary on Health Policy Issues for a Rural Perspective – January 1st, 2004

Our Understanding Can Lead to Action

From “Signs of Hope Found on Health Care Solutions” by John Torinus, CEO, Serigraph, Inc. in a Special to the *Milwaukee Journal Sentinel*, 12/7/03:

“The head-hurting dialogue of two high-level task forces on health care hyperinflation has come and gone, and, while no panaceas emerged, there appears to be more common ground now than before.”

“University of Wisconsin President Katharine Lyall asked a group to advance the ball on solutions prior to the recent economic summit; Mayor John O. Norquist recently wound down his group that was also grappling with the crisis. The two efforts brought together many of the state’s heavy hitters in that debate.”

“Just getting them to understand where the others were coming from was worth the effort. But more happened than just that.”

“True, labor and business organizations didn’t agree on how health care should be funded. The Wisconsin AFL-CIO is pushing for a centralized health plan that would tax employers for their full- and part-time employees and would create a new state agency to oversee payments statewide. Labor leaders cite worker’s compensation as a model.”

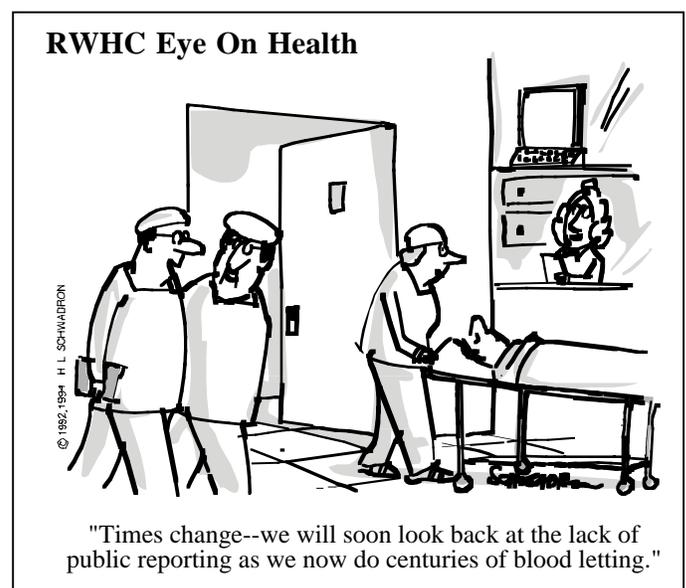
“In contrast, business organizations are still putting their faith in marketplace solutions. Some are launching plans that more directly engage their employees as aggressive consumers of health care. These different approaches frame the uncommon ground on payment systems.”

“We are in the idea business. That’s where a lot of the profits from American companies come from these days, not from factories, not from farms, but from inventing and propagating ideas.” Seth Godin, 2003
RWHC *Eye On Health*, 12/13/03

“The common footing for many of the task force members was a general understanding that our society can’t moderate price increases without getting at underlying causes, the delivery systems and cost structures. The prices, discounts and who pays are the tip of the iceberg; the costs are where the real work needs to be done.”

“Among the refrains that drew the most resonance for getting the out-of-control system back under control:

- Payers - public and private, organizational and individual - cannot play a passive role in the face of the escalation. Too much is at stake. They must get much more aggressive about buying on value and performance, rather than on price discounts. Some have started down that road.
- Payers must demand that hospitals and doctors move toward Six Sigma quality disciplines that cut down on the 30% of health bills attributed to



errors. Mistakes in medicine represent a huge opportunity for cost reduction, not to mention less pain and suffering. Fortunately, a few providers are leading the way.

- Payers should demand that their plans have a proactive disease management program. Early returns show that aggressive management of chronic conditions, such as asthma and diabetes, can sharply cut hospital admissions. Right now, only half of patients take their prescribed drugs as ordered. Hospitals are dangerous and expensive, so admission reduction is a huge target.
- Payers must demand that providers convert quickly to computer-based systems for administration and health care delivery. This would cut errors in doctors' orders and administrative costs that account for 15% to 30% of the health bill, depending on who's counting.
- Payers must move quickly to install aggressive wellness and prevention programs. Companies in the vanguard on wellness and prevention have lowered their bills by 20% to 30%.
- Transparency of data on prices, quality and safety must be the order of the day, so payers at the corporate and individual level can ascertain the value of what they are buying, not just the price. (It's even hard to publish discounted prices that employees can examine). The task forces applauded

voluntary steps by providers at transparency. They stopped short of seeking government mandates to get it done.

- Global or bundled pricing should eclipse the unbundled billing mess that almost no consumer can understand. Why don't payers demand an all-in charge for an appendectomy or normal birth? If the billing systems used in health care were used by a car dealer or mortgage lender, he would be accused of consumer fraud.
- The use of managed competition by the City of Milwaukee and now for the state's salaried employees, a system that uses tiers of payment plans, was hailed as a progressive step into the future. Unfunded liabilities for retirees have put less enlightened public employers in virtual bankruptcy.
- Private payers are moving quickly to consumer-driven plans that attempt to get employees more involved in smart buying, healthier lifestyles and discipline in following treatments. (My company, Serigraph, flips to such a plan Jan. 1). Will public payers follow suit?"

"General agreement on that list of initiatives is a lot of common ground. But there's a lot of implementation to be done, since vanguard payers and providers are now putting these concepts into place."

Some Relief Reported in Health Care Inflation

From the news release "Health Care Spending Growth Slows Sharply in First Half of 2003, Declining Cost Trend Opens Door for Health Insurance Premium Trend Slowdown in 2004" by the Center for Studying Health System Change, 12/12/03 (the complete study is available at www.hschange.com/):

"Health care spending growth per privately insured American slowed in the first half of 2003, increasing 8.5 percent (annualized), a sharp drop from the 10 percent increase in the second half of 2002, according to a Center for Studying Health System Change (HSC) study."

The **Rural Wisconsin Health Cooperative**, begun in 1979, intends to be a catalyst for regional collaboration, an aggressive and creative force on behalf of rural communities and rural health. RWHC promotes the preservation and furthers the development of a coordinated system of rural health care, which provides both quality and efficient care in settings that best meet the needs of rural residents in a manner consistent with their community values.

Eye On Health Editor: Tim Size, RWHC
880 Independence Lane, PO Box 490
Sauk City, WI 53583
(T) 608-643-2343 (F) 608-643-4936
Email: office@rwhc.com
Home page: www.rwhc.com

For a free electronic subscription, send us an email with "subscribe" on the subject line.

RWHC Eye On Health



"He reminds me. Why is bioterrorism preparedness accepted as a national responsibility but not access to basic health care?"

"The 1.5 percentage point decline in health care spending growth in the first half of 2003 was the largest six-month drop since the early 1990s. Nonetheless, health care spending in the first six months of 2003 grew nearly three times faster than growth in the overall economy, as measured by 2.9 percent growth in per capita gross domestic product (GDP) during the same period."

"'Increased patient cost sharing is probably an important factor in the slowing of cost trends, but few experts expect this tool to substantially lower cost trends over the long term,' said Paul B. Ginsburg, Ph.D., coauthor of the study and president of HSC, a nonpartisan policy research organization funded exclusively by The Robert Wood Johnson Foundation."

"While other research shows employer-sponsored health insurance premium increases reached a 13-

Is your hospital linked to the Breast Cancer Recovery Foundation's Infinite Boundaries Retreats? This nationally recognized program encourages breast cancer survivors to overcome some of the limitations they may have set for themselves by discussing their emotional response to the disease and by exploring new physical challenges. Designed by breast cancer survivors for breast cancer survivors, each Infinite Boundaries retreat features a volunteer team of breast cancer survivors who assist with group discussions and physical outings.

Go to www.bcrf.org/ for 2004 Schedule & Info.

year high in 2003, rising an average 13.9 percent, the significant slowing of underlying health cost trends in 2003 could prompt the first slowdown since the mid-1990s in premium growth next year."

"'Health spending is trending down, but it's still rising at a high rate, and while the premium trend should decline, average premium increases are still likely to be in the double digits in 2004,' said Bradley C. Strunk, an HSC research analyst and study coauthor."

Small Businesses Face Complex Choices

From the "Small Business Poll on Health Insurance" by the National Federation of Independent Business, published 10/27/03; copies of the complete report are available on line at <www.nfib.com/research>:

"Employer-sponsored health insurance has changed dramatically over the last decade. Managed care plans, once seen as the cost-control answer, have experienced a strong backlash against their cost control efforts. Premium increases, which were virtually non-existent in the mid-1990s, have remerged with a vengeance. Two thousand three (2003) has seen premium increases in the neighborhood of 12 to 15 percent. Small employers have always been particularly vulnerable to premium increases and few have the human resources capacity to thoroughly investigate the coverage options available."

"Yet, a health insurance benefit is often key to the recruitment and retention of good employees. It also is often a critical element in the owner's personal ability to operate a small business. This survey reports on the current status of employer-sponsored health insurance offered by small businesses. It identifies the extent of coverage, the types of coverage offered, and the out-of-pocket premiums set by employers. It also examines the reasons why some small businesses offer coverage and why others do not. In particular, it focuses on the owner's role in the decision to provide coverage, the relationship between the owner's personal coverage and that offered employees." (The sample included 350 employers with 1-9 employees, 200 with 10-19 and 201 with 20-249.)"

To the question “Does your firm offer health insurance coverage to any of your employees,” 47.6% answered ‘Yes’ and 52.4% ‘No.’

Of the respondents who DO OFFER health insurance, they described the following as a “major reason” for doing so (in declining order):

- “It’s the right thing to do. (78.1%)
- It helps employee recruitment. (63.1%)
- A good way for the owner and dependents to obtain coverage. (49.1%)
- It decreases turnover. (48.0%)
- Employees expect or demand it. (40.9%)
- It increases employee productivity by keeping them healthy. (40.0%)
- Competitors offer it. (34.3%)
- Health insurance is not considered taxable income for employees. (18.9%)
- One or more employees or their dependents have medical problems. (13.3%)”

Of the respondents who did NOT OFFER health insurance, they described the following as major reasons for not doing so (in declining order):

- “Business can’t afford it. (65.0%)

- Revenue too uncertain to commit. (49.9%)
- Large portion of employees are part-time, seasonal, or turnover is too high. (40.4%)
- Employees have coverage elsewhere. (40.3%)
- Employees prefer wages and/or other benefits. (39.0%)
- Employees can’t afford their share. (38.7%)
- Owner has coverage elsewhere. (36.5%)
- Setting up and funding a plan is too complicated and time consuming. (31.0%)
- Not needed to retain good employees. (24.1%)
- Plan that fits employee coverage needs doesn’t fit your coverage needs. (16.9%)”

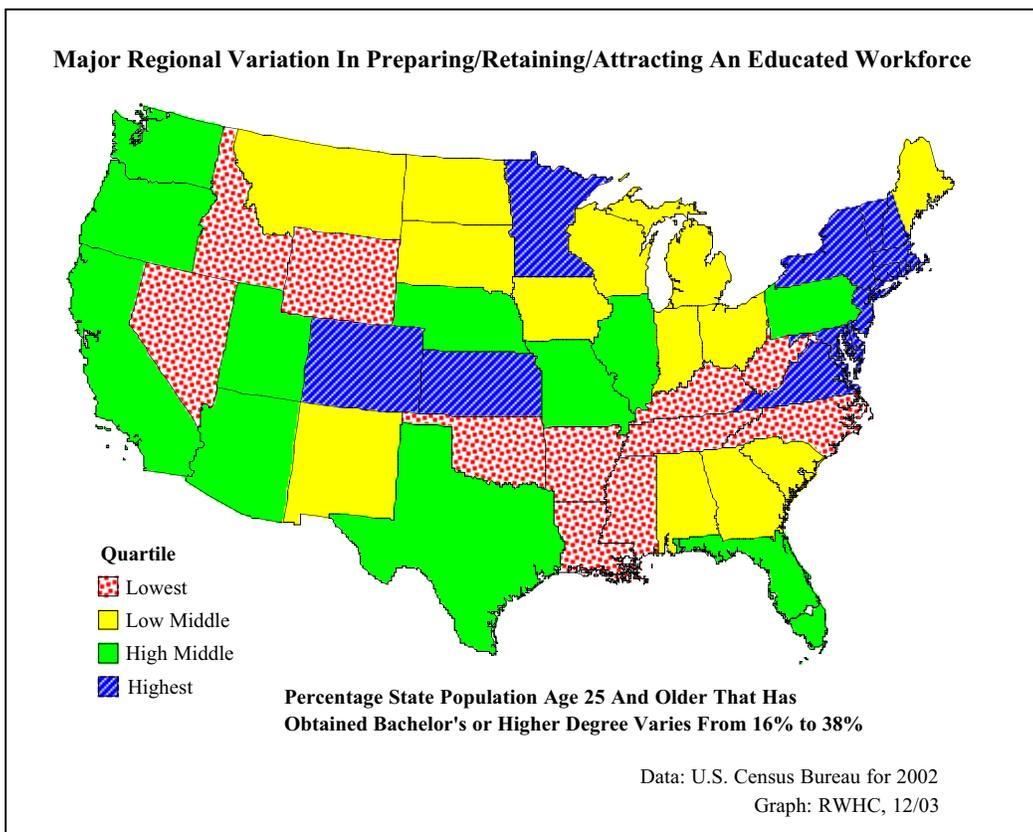
State/Rural Development Needs Education

From “Lend a Hand to Our Brains”, by Tim Kelley, editorial page editor of the *Wisconsin State Journal*, 12/7/03:

“What’s missing in the correct policy debate over Wisconsin economic development? Our brains.”

“However, the most critical aspect of economic transformation—the education and training of tomorrow’s work force—hasn’t made the legislative agenda yet. And work force development seems pretty far down the Christmas list of measures that business leaders say they need to build a new Wisconsin economy.”

“But workers understand that their economic future relies on well-stuffed brains. A startling 87 percent of workers surveyed last month by Madison based Wood Communications Group said they believed they would need additional education and training to get good jobs in



the future. Middle-aged, long-term employees worry about the disappearance of ‘old economy’ jobs as they grow older - and they identified training in computers and other technical subjects as their top needs.”

“Union leader Tom O’Heron, who is seeing job losses firsthand as a 25-year employee of Trane Co. of La Crosse, says jobs with any kind of future require some level of technological competence.”

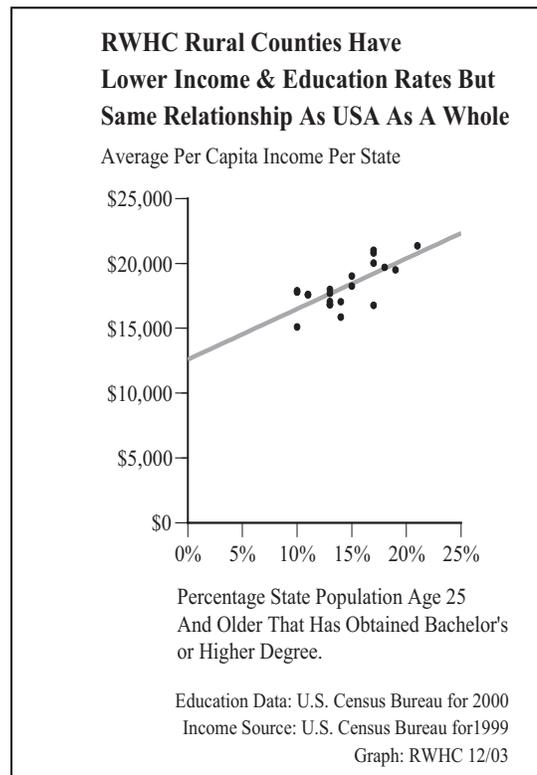
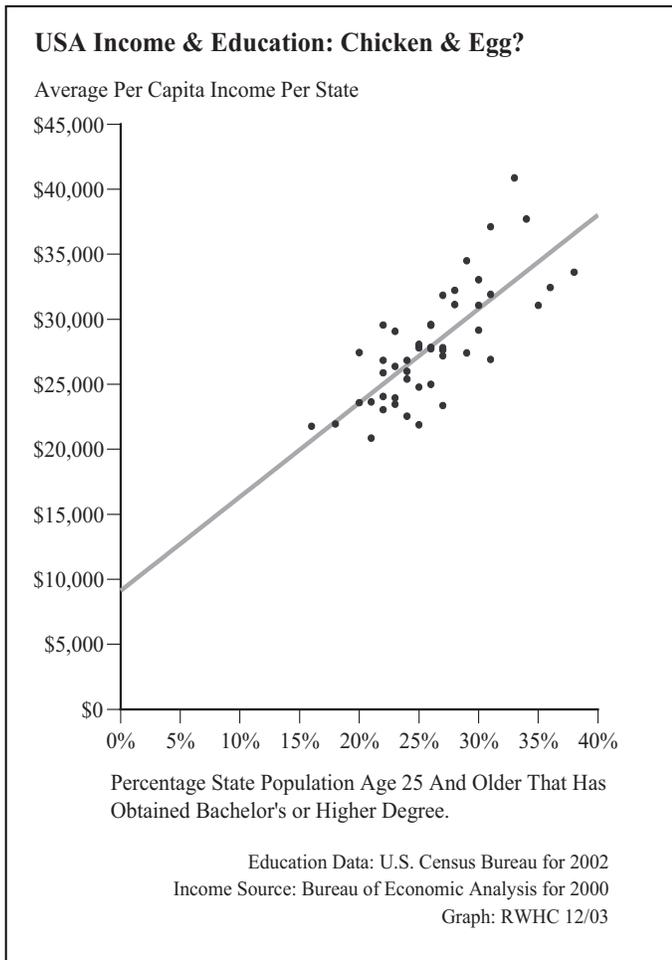
“ ‘The distinction between manual work and intellectual work isn’t valid anymore,’ agrees steelworker union rep Douglas Drake, who joined O’Heron and other business and education leaders at ‘Building the New Wisconsin Economy’ forum in La Crosse.”

“Lawmakers must keep the broader picture in mind. Senate Majority Leader Mary Panzer, R-West Bend, told the State Journal’s editorial board this past week to expect a legislative initiative on worker training by early next year.”

“Wisconsin is rich in education resources and its schools do a good job of getting young people ready for work. The state now needs to apply higher education resources and know-how to more effectively educate all workers to survive and thrive in a high-tech economy.”

“Here in Madison, we might not understand what’s at stake. We have a self-sustaining high-tech economic transformation under way, fed by international-caliber researchers, a steady flow of investment capital and a well-educated work force. In contrast, the crumbling rural barns and empty small-town storefronts that I saw on the drive along Highway 14 to La Crosse last week reinforces how important it will be to target ‘new economy’ development efforts to the areas most in need of new types of jobs and businesses.”

“Easing regulatory red tape and increasing investment clearly are part of this equation. But education and training initiatives must move to the top of the policy agenda as well. What sense is there in creating incentives for telecom companies to string broadband Internet wires into every small town if the folks there can’t get help learning how to use a computer?”



AARP Responds to Medicare Bill Critics

From “AARP Leader Answers Critics on Medicare Bill” by William M. Welch, *USA TODAY*, 12/11/03:

“AARP leader William Novelli knows salesmanship. Novelli says members’ concerns about the Medicare overhaul will fade when they fully understand its provisions.”

“In recent weeks, Novelli has been denounced by former Democratic allies, has seen thousands of members quit and has watched protesters burn their AARP cards beneath his window at the 35-million-member group’s headquarters building here.”

“Members and allies are upset about AARP’s crucial decision to support the Medicare overhaul and prescription-drug benefit backed by President Bush.

NRHA 15th Annual Rural Health Policy Institute, Feb. 23-25, 2004

Grand Hyatt Hotel, Washington, D.C.

Register Now For This RWHC

Sponsored Event On Line At:

www.nrharural.org

“Polls show the public and seniors are unsure the new law is the right prescription for them or for Medicare, the national health program for Americans 65 and older.”

“But Novelli says his members and friends just need better information.”

“‘We have to in essence inform members about this,’ he says in an interview. ‘You’ve seen all the different surveys showing people are confused. It’s very polarized. I am sure that when we are able to tell people what the provisions of the bill are, that they are going to feel this is a significant step forward. But we have to do that.’”

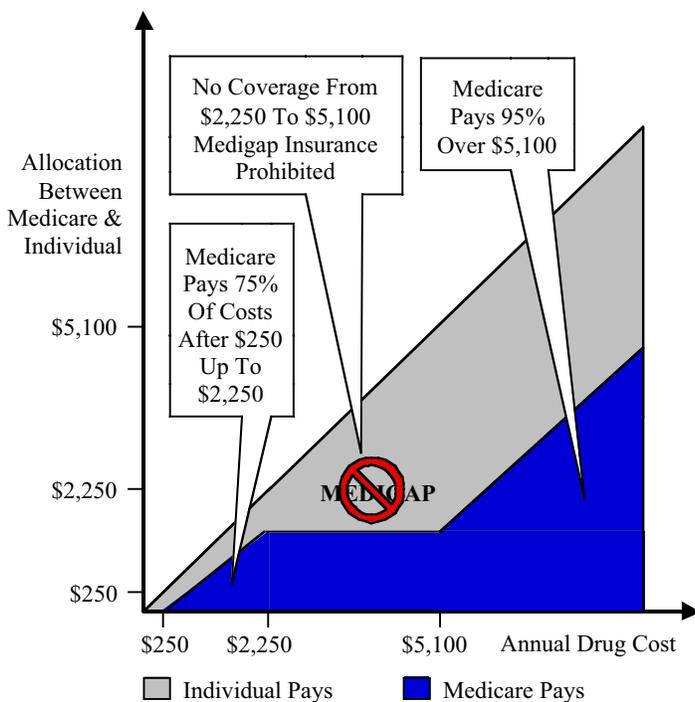
“By Novelli’s own account, 15,000 members have told the organization to cancel their membership because of the endorsement. But Novelli says the group persuaded at least half of them to instead go on an inactive or frozen status, giving them time to reconsider. Some have since rejoined, he says.”

“Outsiders see reasons for concern. Thomas Mann, a political analyst at the liberal-leaning Brookings Institution, says AARP is ‘really worried’ by the reaction, which could erode its position as spokesman for older Americans. ‘They’ve gotten a huge amount of negative press and the early readings on the bill from seniors are not encouraging at all,’ Mann says.”

“Novelli says the rancor that has been directed at his group stems from deep partisanship. Democrats took the lead in pushing for a benefit, and then were outraged to see Republicans seize the issue.”

“The debate has caused confusion, he says. And without naming them, he denounces

The New Medicare Drug Benefit A Prescription For Political Backlash?



In addition, there is a geographically adjusted premium of \$35/month. There is a low income subsidy if liquid assets are below \$6,000.

Graph:RWHC 12/03

charges by Democrats such as Kennedy who say the new law will lead to the destruction of Medicare by opening the door to private insurers and managed care. ‘Dead wrong,’ Novelli says. ‘I think it’s basically political scare tactics and ‘04 politics.’ ”

“Novelli says the main goal is informing seniors about the drug benefit that will become available in 2006. ‘Is this perfect; is this going to cover everybody like they were covered when they were working? Hell no,’ he says. ‘But it is really good for a lot of people.’ ”

RWHC Internet Connectivity & Security

Internet service available through the Rural Wisconsin Health Cooperative is designed to give participating members outstanding performance featuring comprehensive, layered security.

Why Is RWHC’s Model Different?

RWHC is committed to providing security beyond what is normally offered by Internet service providers. In fact, ISPs typically shift the responsibility of security to the user. The RWHC model provides firewall protection, mail filtering and web filtering. You can regard RWHC as your partner when it comes to regulatory compliance for patient privacy and electronic media security.

How Does The RWHC Model Work?

Firewall Strategy—RWHC has two tiers of firewalls. The first tier protects all of the resources housed behind RWHC’s connection to the Internet. The intent is to protect the shared resources of the Cooperative as well as the members’ networks. The second tier is the firewall that resides at each participant’s facility. This provides firewall protection for the individual hospitals.

Mail Filtering Strategy—E-mail is a conduit for unsolicited mail, viruses, worms, and “Trojans” – an undetectable form of virus. RWHC has implemented a system for blocking these potential problems by virus scanning and content filtering, which can be customized based on individual client needs.

RWHC 12th Annual Rural Health Essay Deadline Is April 15th—The writer of the winning essay will receive \$1,000 paid from a trust fund established at the University by RWHC, family and friends of Hermes. It is open to all students of the University of Wisconsin. Info at:

www.rwhc.com/essay.prize.html

Web Filtering Strategy—The Internet has given us all access to more information than we could have imagined five years ago. Unfortunately, some of the sites that exist on the Internet contain objectionable material. In order to protect our organizations against liability due to pornographic or violent Internet material, RWHC can provide web site blocking capabilities that are fully customizable and reports on individual Internet usage.

For additional information, contact Darrell Statz or Kierre Fiske at 608-643-2343 or dstatz@rwhc.com or kfiske@rwhc.com, or Larry Anderson at 608-288-2022 or landerson@norlight.com.

Badgers Need to Catch up with Flatlanders

From “Rural Medicine Gets Booster; The U. Of I.-Rockford Medical School Steps into the Forefront of Training Doctors for Countryside Practices” by Robert Becker in the *Chicago Tribune*, 12/01/03:

“The glitz of being a doctor in the big city may have captured the professional fancies of many of her medical school classmates, but Denice Smith envisions a practice where medical trauma involves farm equipment and patient rounds require crisscrossing the back roads of a rural Illinois county.”

“This fourth-year student at the University of Illinois’ College of Medicine at Rockford—and participating in the school’s rural medical education program—sees herself doctoring in a place like Flanagan, a hamlet of about 1,100 residents about two hours southwest of Chicago.”

RWHC Eye On Health



"We are mission driven, we provide the best lip service in medical education."

“ ‘If I could quit right now, get my degree and stay right here, I would stay,’ said the 26-year-old, who is nearing the completion of a four-month rotation in rural medicine in Livingston County.”

“Larry Stalter, who was born and raised in Livingston County and has a medical office in Flanagan, has

practiced in the county for the last 21 years. He also has welcomed medical students like Denice Smith for office rotations to gain firsthand experience in rural medicine.”

“Stalter seems to revel in the interaction afforded by practicing medicine in a rural setting. He sees his patients in the grocery store, the barbershop—almost everywhere. And house calls are part of the routine—especially in treating older patients.”

“ ‘It’s easier for me to run out there and see them,’ said Stalter, who received his medical degree from the University of Iowa. ‘And people don’t forget it, believe me.’ The personal connection to patients is an aspect of rural medicine that Smith finds attractive.”

“To date, 27 of the 30 rural medical education graduates from U. of I.’s Rockford program are rural practitioners. Smith wants to add to that total—a desire reinforced by her experience working with Stalter over the last few months. Smith said she has gotten a tangible sense of what rural practice is all about, and patients have made her feel like a bona-fide physician. ‘It’s been a really, really positive experience.’ ”

Space Intentionally Left Blank For Mailing