

Review & Commentary on Health Policy Issues from a Rural Perspective - November 1st, 2000

Wisconsin Proposes End To Wage Index Bias

The May issue of *Eye On Health* reported that the State of Wisconsin was considering reversing its plan to phase in the federal Medicare Hospital Wage Index to adjust State Medicaid Nursing home payments. (The federal wage index for rural Wisconsin is .8880 while the average rural nursing home wage is basically the same as the state average.) The loss to rural nursing homes by using the Medicare index for Medicaid is estimated to be over ten million dollars per year.

In its 2001-2003 budget submission, Department of Health and Family Services (DHFS), Secretary Joe Lee has now requested to *eliminate* statutory language “which states that reimbursement for nursing home facilities (excluding Centers for the Developmentally Disabled) be adjusted for regional labor cost variations.” **Rural nursing homes, facing a particularly difficult time recruiting staff, are depending on Governor Thompson and the Wisconsin State Legislature to support and implement the proposal to eliminate nursing home labor region variations.**

The Department’s accompanying white paper acknowledges that “this deletion will recognize that nursing homes compete on a state-wide basis for employees and that variations in reimbursement based on regional labor costs is not an appropriate methodology for nursing homes.” It goes on to say that “the Department has not been able to develop consensus with the nursing home industry as to a methodology to determine regional labor costs.”

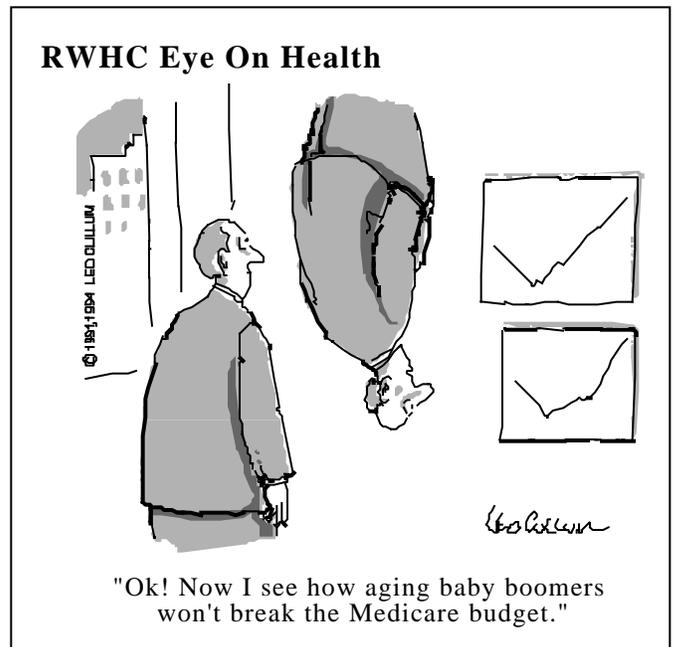
“With low unemployment levels and a mobile work force, it is likely that there is a state-wide labor market for nursing homes. Comments from nursing home industry leaders also suggest that nursing homes routinely compete for labor on a state-wide basis. By eliminating variations in reimbursement based on regional labor costs, the Department is responding to the changing nursing home market.”

Election Debate—Promises Without Reality

From “As It Stands Now, Health-Care System Has Us On Road To Ruin” by David Broder in the *Wisconsin State Journal*, 10/11/00:

“On the morning after the first vice presidential debate, Charles O. Jones, the UW-Madison political scientist and scholar of the presidency, remarked that the nation had witnessed ‘a great civic event,’ a civil, substantive discussion of serious policy matters between two highly competent public officials, Joe Lieberman and Dick Cheney.”

“But before we get too giddy in celebrating our good fortune, let it be noted that historians are almost certain to remark on the purposeful myopia of the candidates in their deliberate refusal to acknowledge and discuss one of the biggest realities of our national life: The glorious federal budget surpluses they are happily parceling out for their favorite programs and tax cuts



are a short-term phenomenon soon to be followed by crippling deficits, unless we make some hard choices in the next few years.”

“What we now confront is much, much bigger than the savings and loan bailout. Its dimensions were outlined recently in a report from the non-partisan Congressional Budget Office--a report which did not make the front page of any of the papers I read and which was ignored entirely by most of the TV news shows.”

“Here’s what it said: Assuming that the new president uses the expected surplus in Social Security of \$2.4 trillion over the next 10 years to pay down the national debt, as Gore and Bush say they will do, the government may be able to balance its books until about 2020.”

“But then the retirement and health-care costs of the huge baby boom generation and the shrinkage in the number of Americans working and paying taxes will once again create a serious imbalance-and push us back into debt.”

“In the estimate of the CBO, **if the nation’s leaders do not change current policies to eliminate that imbalance, federal deficits are likely to reappear and eventually drive federal debt to unsustainable levels.** A chart accompanying the report shows the public debt in 2040 rising to 60 percent of the estimated size of that year’s economy-creating a burden on the next generation of Americans half again as large as the accumulated debt of the past is on us.”

“As Glenn Kessler of The Washington Post noted in his news story, ‘The report underscores how campaign rhetoric had become increasingly separated from the budget reality that will face the next president.’ While Bush pushes his trillion-dollar tax cut and tries to keep up with Gore’s promises of new prescription drug benefits, 100,000 teachers and 50,000 cops, neither one is preparing the public for the steps that are needed to rein in runaway health-care costs-the largest single force driving us back into deficits.”

“By 2040, according to the best available data, the percentage of Americans over 65 will rise from 13 percent to almost 21 percent. The share of working-age Americans, between 20 and 64, will decline by 3 points to slightly over 55 percent. The ratio of workers to retirees will drop from almost 5 to 1 down to less than 3 to 1. Unless we begin now to reorganize our dysfunctional health-care system and take steps to rationalize provisions for retirement income, the demographic wave will sink us.”

A Presidential Election Debate Postscript:

A mid-October Kaiser/Harvard/Health News Index survey found that about half of the American people reported that they were following stories about the Bush and Gore prescription drug proposals closely during the month of September.

However, the survey also found that the essential difference between the Gore and Bush Medicare drug proposals is not understood by a large percentage of the American people. Almost 60% of the American people said that they did not know whose plan relied on private insurance companies (Bush) and whose plan expanded the traditional Medicare program (Gore).

Cost Control Kitchen Just Got A Lot Hotter

From “Health Premiums May Leap 30%, Diagnosis Is Complex, But Prognosis Is Clear: Higher Costs For Workers, Employers” by Joe Manning in *the Milwaukee Journal Sentinel*, 9/25/00:

“The cost of health insurance for Wisconsin workers could rise an average 30% in the coming year, the result of a dizzyingly complex set of factors for which there are no simple solutions or easy answers.”

“Experts say employers will try to absorb most of the added cost but will probably have to pass some of the increase to workers—even though employers might

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: timsiz@rwhc.com
Home page: www.rwhc.com

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then risk losing workers to a labor market where unemployment rates continue at historic lows.”

“Hardest hit will be businesses with fewer than 25 employees. The average renewal premium for such businesses in Wisconsin is projected to jump 33.6% in 2001, according to figures compiled by Frank F. Haack & Associates, a Milwaukee insurance brokerage and consulting group. ‘This is the third year of double-digit increases and each year they get higher.’ Said James Mueller, president of the employee benefit group at Haack. ‘And there is no end in sight.’ ”

“The reasons for the skyrocketing premiums include escalating prescription costs, fueled by demand for mass-marketed drugs; more people visiting physicians, often unnecessarily; expensive medical technologies; an aging work force; and general inflation in health care prices.”

“A survey by Milliman & Robertson Inc., a national consulting and actuarial firm, says premiums for Wisconsin health maintenance organizations will rise in 2001 by 10% to 15%, just under what Haack projects for Wisconsin HMOs.”

Meanwhile, Larry Aarhus, research associate at the International Foundation of Employee Benefit Plans in Brookfield, and others think health insurance premiums in general will continue double-digit increases in 2002, when experts say businesses almost certainly will be forced to raise co-payments and other out-of-pocket expenses.”

“In Haack’s premium survey, HMOs—the usual whipping boy for health care cost complaints—showed the lowest premium increases. Premiums are rising faster at preferred provider organizations, in which networks of hospitals and physicians offer discounted prices and at traditional health insurance plans. For businesses with up to 100 employees, the average premium for HMO coverage increased by nearly 16%. Premiums for traditional health insurance plans increased by 31%, and premiums for preferred provider organizations increased by 32%.”

Health Care Rationing—Not In My Backyard

From “Health ‘Rationing’ Need Not Be A Dirty Word” in the *Wisconsin State Journal*, 10/12/00:

“Health-care costs are rising for many reasons, not the least of which is the fact that medical technology is advancing at a pace that tests society’s ability to pay.

Few people want medical science to stagnate – but all of us want ready access to the latest medical miracle. Who should get first call on the latest innovation in health care? And who gets left out when there’s not enough money to go around?”

“The ethical dilemmas presented by constantly improving medical technology was discussed in a ‘We the People/Wisconsin’ broadcast on health care.”

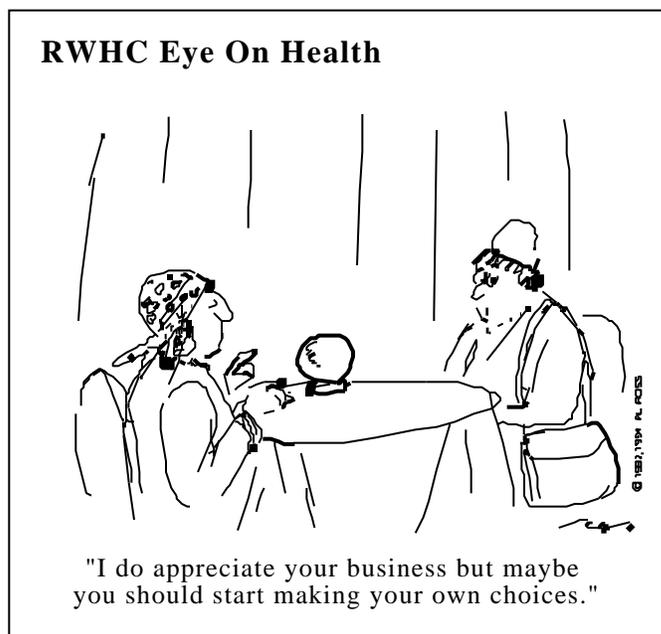
“A question submitted by Kaj Foget, a retired Oscar Mayer employee, prompted medical experts and politicians alike to be honest about the health-care rationing. Foget asked: ‘Unlimited potential in health-care science and technology but limited resources to pay for treatment demands ethical guidelines for denying care. Who will make those decisions and how?’ ”

“ ‘Rationing is the big elephant in the room that we don’t talk about,’ said Dr. Norm Fost, a UW-Madison pediatrician and ethicist. It’s undeniable about health care today--and in the future--but policymakers are afraid to use the ‘R’ word in public conversation.”

“The two candidates for Wisconsin’s 2nd Congressional District seat had no such fears. Democrat Tammy Baldwin and Republican John Sharpless agreed rationing takes place, but differed on what comes next.”

“ ‘Unfortunately, we do ration health care in this country,’ Baldwin said. ‘I do believe that every citizen should have access to the wonderful advances in medicine we have.’ ”

“But does it make sense for every citizen to have ac-



cess to all types of care, regardless of cost and regardless of their own health behavior? Demographics also plays a role. Should society spend more to help already old people live longer--or use that money to help children get a healthier start in life?"

" 'It's ironic that progress poses these dilemmas,' Sharpless said. The answer is neither to wish away progress, he continued, nor to avoid tough choices."

"Health care is rationed every day, by every hospital and health maintenance organization. What's needed are public health systems, such as Medicare and Medicaid, that reflect today's reality and facilitate more rational choices."

Employee Benefits, A Consumer Approach

From "Employee Benefits, A Consumer Approach To Health Care Delivery," by Richard Bloomquist in the *Corporate Report Wisconsin*, 10/00:

"Today we stand at the edge of a new era in the evolution of health care delivery."

"Over the past 50 years, health care in the United States has evolved to the point where more than 90 percent of Americans access health care in conjunction with financial assistance provided by various health benefit programs."

"Roughly half of the health care in the U.S. is provided with financial assistance from Medicare and Medicaid government based programs. The other half, the private sector, has basically three groups: 59 percent are cared for by preferred provider organizations (PPOs), 30 percent by health maintenance organizations (HMOs), and 11 percent can choose any health care practitioner and have a portion of the bill, typically 80 percent, indemnified by a third party."

"All of these delivery systems provide mechanisms where the majority of the health care bill is paid by someone other than the consumer. As a result, we have experienced a 'disconnect' between the purchasing of health care and the cost implications of that purchase. Since the person purchasing

the health care has no cost impact, the incentive is to buy more at whatever cost."

"Medicare, Medicaid, HMOs, and PPOs all have negotiated relationships with providers of health care. This means that only 11 percent of the private sector (or 5 percent of the total population) pays retail. Everyone else has some kind of discounted arrangement. These arrangements have benefited those who maintain benefit plans, by reducing their costs and enabling the limited benefit dollars to be more prudently used."

"In addition to the negotiated relationships, the private sector has, in the last 10 to 15 years, adopted utilization management programs, which monitor the use of inpatient hospitalizations, outpatient surgeries, and certain tests. The objective of these programs is to make sure that people get the quality care that they need, while avoiding excessive services and inappropriate environments."

"Utilization management programs encourage patients to use health care providers who have a contractual relationship with the benefit plans sponsor. These programs have a positive impact and help to reduce the cost of care, and arguably improve that quality of that care."

Rural Health Policy Institute



National Rural Health Association

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what specifically are your
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"What then is the next step that we as a society should undertake to fashion a health care delivery system that delivers only necessary services, and at a reasonable price? Even with the advent of HMO, PPO, and utilization management programs, we still have a disconnect between the users of health care and those who pay the majority of the bill. As a result, we do not have normal consumerism functioning in that health care delivery system."

"The next step in the evolution of employee benefit plans is to engage more consumerism. This can be achieved by arming the consumer with more information about the quality and price of care provided by various practitioners. Information about quality will be difficult to

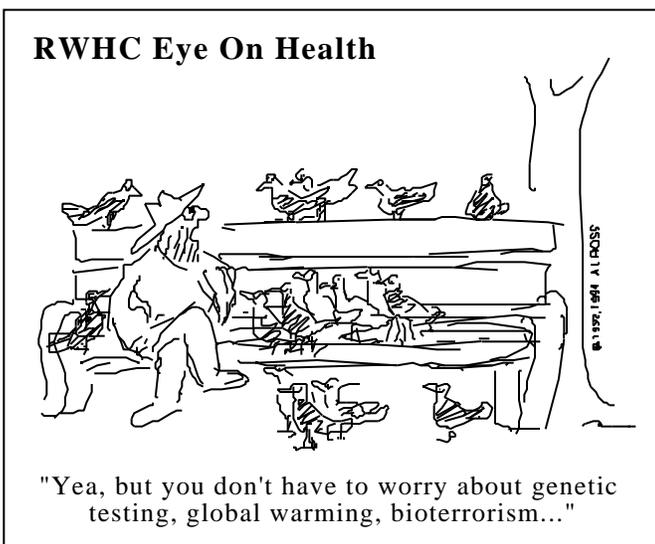
achieve, since empirical measures have not been readily available, and will need to be developed. Price, however, is more available. In today's market, it is not uncommon to have comparable services range in price by 100-300 percent for exactly the same serv-

ice. So, at one facility you will pay \$2,000 for a service, and at another facility you will pay \$3,000 for exactly the same procedure.”

“Benefit plans are likely to come to the table with a design which will limit their financial contribution. They will be designed, for example, to pay up to \$2,000 for that procedure, and then list those practitioners who are providing the procedure at \$2,000 or less. The practitioner who is providing the service at \$3,000 will either have to modify to the price or convince the patient that it is appropriate for the patient to pay \$1,000 out-of-pocket.”

“Plan designs that utilize this approach, or which stratify providers by price range, are already under development and will soon be presented to employees. The financial impact will be significant and will enable employers to maintain excellent benefits at an affordable cost for the foreseeable future. Not adopting these additional controls will result in unacceptably high benefit plan costs, which will force employers to raise the costs of their goods or services, or shift more of the costs to the employee.”

“A consumer-oriented approach will very soon bring a dramatic change to the way in which employee health benefit plans are designed and presented to employees, and to the way in which those employees use benefit plans to obtain health care for themselves and their dependents. Everyone involved – employers, employees, and health care professionals – should recognize that these changes are rapidly developing, and embrace the change. The result will be better quality health care services delivered at a more reasonable price, under a program that will enable employers to provide good health benefits to their employees, while still maintaining competitive market prices for their goods and services.”



The 21st Century Health Priorities

From “Decades Ahead Pose 10 New Health Challenges,” *Reuters Health*, 10/03/00:

“In the 21st century, the nation's health professionals must reverse the epidemic of obesity, clean up environmental toxins and use genetic breakthroughs equitably, ethically and responsibly. According to officials of the US Centers for Disease Control and Prevention (CDC), these are among the top 10 public health challenges now facing the medical and scientific communities.”

“Dr. David W. Fleming, deputy director for science and public health at the CDC, and CDC Director Dr. Jeffrey P. Koplan laud the past century's public health advances and articulate the challenges ahead in a commentary published in the October 4th issue of *The Journal of the American Medical Association*. The authors challenge the medical, scientific and public health communities to:

1. Institute a rational healthcare system.
2. Eliminate health disparities.
3. Focus on children's emotional and intellectual development.
4. Achieve a longer "healthspan."
5. Integrate physical activity and healthy eating into daily lives.
6. Clean up and protect the environment.
7. Prepare for emerging infectious diseases.
8. Recognize and address the contributions of mental health to overall health and well-being.
9. Reduce the toll of violence in society.
10. Use new scientific knowledge and technological advances wisely.”

“ ‘Childhood immunizations, antibiotics, fortified foods, and clean water are just a few of the public health advances of the 20th century that have extended life expectancy from 45 years at the turn of the century to more than 75 years today,’ Drs. Koplan and Fleming write. ‘Yet physicians of a century ago could neither have anticipated the great advances ahead, such as antibiotics and immunizations, nor the

deadly hazards of tobacco consumption and automobile use,' they add."

" 'No doubt, unanticipated challenges of similar magnitude lie ahead,' the CDC officials concede. 'Whether working in the public, private, or academic arenas, physicians can only hope to have the power of observation to detect these challenges early and the resources and will to act wisely in response.' "

"Drs. Koplan and Fleming believe their list reflects 'the breadth and complexity' of the challenge ahead. The authors encourage health professionals to support and broadly implement promising science-based interventions in areas such as child development, mental health, obesity and physical activity, the environment, bioterrorism and aging."

"They also acknowledge that the course of action is less clear and potentially divisive, particularly in the areas of rationalizing the nation's health system, eliminating health disparities, curbing violence and managing new genetic knowledge."

Rural Nurses Now Learn From Home

The following summary of nursing continuing education courses and articles, available via the Internet, was prepared by the Wisconsin Office of Rural Health (These links are available at www.rwhc.com):

American Heart Association

www.prou.com/cme/aha99/

ASLME Links

www.aslme.org/connections/nursing.html

AORN online

www.aorn.org/default.asp

CME.cybersessions.org

<http://cme.cybersessions.org/>

Fairfield University

<http://funrsc.fairfield.edu/~jfleitas/nsresour.html>

Learnwell.Org

www.learnwell.org/rn/

Nursewise, Inc.

www.nursewise.com/co.ed.htm

NursingCenter.com

www.NursingCenter.com

NursingEducation.net

www.nursingeducation.net/sec_continuinged.htm

Nursing Matters

www.nursingmatters.com/

Quick Study, Inc.

www.quickstudy.com/orderformhosp.htm

RN.com – clearinghouse for 17 resources

www.rn.com/web8.htm

RNweb

<http://rnweb.com/ce.html>

Springnet

www.springnet.com/ce/ceartlst.htm

Virtual Nursing College

www.langara.bc.ca/vnc/

Health Care & Policy, A Clash Of Cultures

From *Health Affairs*, "Doctors Have Patients, Governors Have Citizens—A Former Governor Speaks out About the Culture and Value Clashes Between Medicine and Public Policy", by Richard D. Lamm, 09-10/00:

"Clearly, a wide cultural gap exists between deliverers of health care and taxpayers who increasingly pay for that care. Medicine is a culture of 'do no harm,' while public policy—my culture as governor—is trained to maximize good. One culture demands all that might benefit a particular patient, while the other builds systems in which you can never do everything of benefit and where it would be foolish to try. How do we reconcile those whose duty it is to micro-allocate medicine with those whose duty it is to macro-allocate public resources? While governor I often asked myself, 'How can patient advocates feel so good about the system they work in when I, as public advocate, feel so guilty for having so many people without even basic health care?' "

"The clash of cultures between the patient advocate and the public advocate was never so clear as when, in the late 1970s, famed liver transplant surgeon Tom Starzl wanted to expand the transplantation program at the University of Colorado Health Sciences Center. When I was governor, Starzl was not only one of Colorado's leading doctors; he was a leading citizen and a friend. His dedication to and promotion of transplantation illustrates the different moral universes of

medicine and public policy. He wanted more staff, more resources, and more emphasis on transplantation. I felt that Colorado's next priority should be expanding coverage."

"In 1987 Starzl wrote eloquently about the needs of the individual, citing two patients who recently greatly benefited from a liver transplant. Starzl wrote in comments not published in the journal carrying the debate but later published in his 1992 book, *The Puzzle People: Memories of a Transplant Surgeon*, "The transcendent status of human personality is the bedrock of our secular, pluralistic society. The taking or debasing of life by withholding effective treatment ought not to be justifiable *no matter how great the offsetting 'benefit' to the public good*" (emphasis mine)."

"I wrote about all the other unmet medical needs in Colorado. It was unthinkable for me to expand the transplantation program, when 600,000 state residents lacked basic health insurance. It was unthinkable for Starzl to turn down anyone who might benefit from a transplant. When I asked why we had to duplicate transplantation facilities available in other states and suggested that Colorado should cover our medically indigent first, he accused me of being anti-research. I countered that research was wonderful, but I was first in favor of maximizing the health of Colorado. To Starzl, I was backing away from a world-class program. In his words, "The failure of Mr. Lamm to take advantage of what has happened under his own sponsorship [referring to the University of Colorado transplant program] is like giving birth to a beautiful child and then trying to starve it so that it will not threaten the food supply.' Neither of us was soft-spoken."

"The center of a doctor's moral universe is the patient, and the doctor's role as patient advocate has been an important part of two thousand years of medicine. Starzl was not about to let anyone die if he could avoid it, no matter what the cost, no matter the other health needs of Colorado. Fore-shadowing a dialogue that would explode a decade later with the rise of managed care, I felt that money could save more people if it were spent elsewhere in the system. I felt a moral responsibility to maximize the dollars that are so painfully plucked from the pockets of my constituents and to weigh all public

needs in deciding which unmet needs to address. Starzl believes that America has the 'best health care system in the world,' but I disagree. Our system is inadequate because it doesn't permit all Americans access to medical miracles, only those with health insurance coverage or the ability to pay out of pocket for medical services. **An educational or highway system would never be considered adequate if it left 14 percent of its citizens without schools or transportation, as was and still is the case for 14 percent of Colorado residents without health insurance.**"

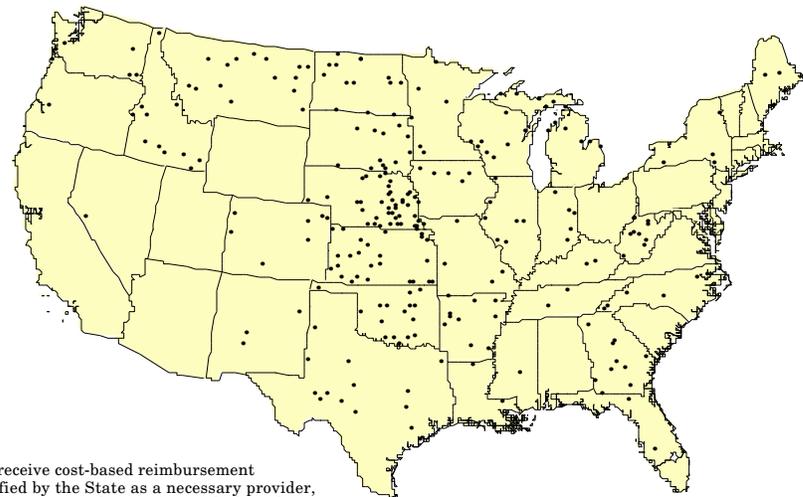
Demand Is For High Tech & High Touch

From a press release of an [online survey](#), "Consumers Demand Combination of 'High Tech' and 'High Touch' Personalized Services to Manage Healthcare Needs," by Harris Interactive and ARiA Marketing's at <www.harrisinteractive.com/>, 10/17/00:

"Consumers want to actively manage their healthcare through a combination of online, phone and nurse triage services, according to a new Healthcare Satisfaction Study of patients and physicians. Results of the study were announced at the 2000 Medical Group Management Association Annual Conference. 'We found that healthcare consumers see the Internet as a tool they can use along with other tools and services to communicate with caregivers and to manage their

New Wave Of Reclassified Rural Hospitals Expanding From Heartland

Location Of Critical Access Hospitals (CAHs) As Of September 30th, 2000



CAHs receive cost-based reimbursement if certified by the State as a necessary provider, as having no more than 15 (acute) beds and an average 96-hour length of stay per patient. 267 Hospitals are certified (one in Valdez, Alaska; none in Hawaii).

Source: RUPRI RHFP Tracking Project 10/10/00

Graph: RWHC 10/17/00

healthcare,' stated Katherine Binns, senior vice president of Harris Interactive. Doctors, on the other hand, want to make sure the Internet doesn't add to their already crowded schedules or interfere with the doctor-patient relationship.' ”

“One of the study's most revealing findings is that consumers want personalized care and information from their doctor, delivered by the most effective medium: face-to-face interaction, the phone or the Internet. The average time a doctor spends with a patient is down to 15 minutes or less and continues to diminish, putting great stress on both physicians and patients.”

“‘According to our survey, the current visit to the doctor is simply not meeting consumers' needs,' added Binns. ‘Patients and doctors are looking for easy-to-use tools to supplement this and believe the Internet may be one of them, but it's not the end all, be all. Healthcare consumers still value interpersonal communication and believe the Internet can facilitate that process with their healthcare providers.’ ”

“Consumers want a range of options for accessing their providers, including face to face, online and telephone

- 86% of survey respondents want to schedule appointments by phone with a person and 89% would

use a nurse triage service to help them manage a chronic medical condition, and they would like this service to be available via the phone and the Internet.

- Consumers would also like to use a nurse triage service to get answers after regular office hours.

Consumers want physicians to use the communication option that makes the most sense

- 40% of respondents expressed frustration at having to see their physicians in person to get answers to simple healthcare questions.

Consumers across all age, geographic and income groups want more sophisticated Internet-based tools to manage their healthcare

- 83% of respondents want their lab tests to be available online and 69% want online charts for monitoring chronic conditions.

Consumers are beginning to factor the availability of multiple communication options into their physician and health plan selection decisions

- 43% of respondents are willing to select their doctor based on the availability of Internet systems, and 45% are willing to use select their health plan.”

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