

July 5, 2016

Dear City of Madison Council Member,

I am pleased to be writing to you on behalf of UW Health. The City Council is scheduled this evening to consider conducting a review of the equity of health care costs charged to local government and public employees. UW Health and many other Wisconsin health care providers have long been engaged in finding ways to deliver high quality and low cost health care to our patients and their families. Improving our health care system is important and we are focused on the triple aim which includes; improving the experience of care, improving the health of populations, and reducing per capita costs of health care.

As you discuss the proposed review, we encourage you to consider the following information which we shared with Mayor Soglin earlier this year. The basis for the review was informed by a *New York Times* article that is based on the findings of a Yale paper. The paper has many methodologic limitations as it applies to the Madison healthcare marketplace. Specifically, the paper reports on payments to providers by three large, for-profit, insurance companies, United, Aetna and Humana. During the time period reported in the paper, 2007-2011, these companies combined represented well less than 5% of UW Health total charges. At that trivial percentage, they are not in any way representative of our “market basket” of reimbursement levels, which averages much lower than the payments made by these insurance companies.

In discussions about this issue, publicly available information from PricePoint has been used as support. These data show the difference between what Medicare and private payers pay for the same procedure. While it is true that the private market subsidizes the underpayment of services by Medicare, which has been the case for decades, it would be incorrect to conclude the PricePoint data supports the conclusions of the Yale paper. “Cost shifting” to cover Medicare underpayments happens all over the country and the difference between the costs to Medicare and private payers identified by PricePoint for UW Health is not an outlier compared to the rest of the country.

One of the possible solutions mentioned is that health systems need to negotiate better payments from Medicare. The federal government, using a complex formula, sets how much they will pay for a procedure in a geographic area, using adjustments mainly for cost of living. Although these payments frequently do not cover costs, there is no negotiating with individual hospitals or systems. We have and will continue to engage our federal legislators to support increasing the amount the federal government pays for health care. We welcome others, including the City of Madison, to join us in this work. As you are looking at this issue we encourage the use of local resources and expertise that have the best understanding of the unique health care market in Wisconsin.

Finally, you are probably aware that we made a major announcement last week with one of the other providers in Madison, UnityPoint-Meriter. That announcement was about our intentions to find a way to bring our already close clinical services even closer together in the form of a joint operating agreement. We would also bring our two insurance companies together under a single structure. These discussions have the potential to have a positive impact on health care costs in our community primarily through better integration of care and by reducing our immediate need to expand bed capacity. You can learn much more about this agreement by visiting the website <http://www.collaborationforcare.org/>.

Thank you for taken the time to read this information. UW Health is ready to assist the Mayor and the City Council in any way possible to better understand health care costs in our community.

Sincerely,


Jonathan Jaffery, MD
UW Health Chief Population Health Officer

CC: Mayor Soglin