

The New Wisconsin Idea: A prescription for health care system reform

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It has been almost five years since I wrote *Solving Wisconsin's Health Care Cost Crisis: A Call to Action* and three years since I developed *The New Wisconsin Idea*, a plan for health care system reform. Sadly, while we have made some progress since then, we continue to waste about 40% of our health care dollars due to what remains an incoherent, fragmented health care system that is heading pell mell toward collapse. The New Wisconsin Idea (NWI) is a prescription for reform that can turn Wisconsin's health care system into the highest quality and most cost effective in the nation.

Two things differentiate the NWI from other reform proposals. First, it is the only reform plan that focuses on the three primary drivers of health care system waste: excessive overhead, poor quality, and the lack of consumer responsibility. Second, while each of its four reforms can stand on its own, taken together they will act synergistically to reduce health care costs by 30%-40% within a decade and make Wisconsin's health care system a more coherent, higher quality, and far less costly one. Universal

coverage may well be desirable some day; if so, the NWI will put a good platform in place for it.

The Problem

The health care cost crisis stems from the simple fact that, for more than 40 years, health care expenditures have grown about 50% faster than the nation's economy. This economic imbalance has caused health care spending to double as a percent of the nation's gross domestic product every 24 years. As a result, the business community—faced with an inability to provide wage increases, keep up with health insurance costs, and compete in a world economy—is growing desperate for answers.

A fully reformed health care system could free up over \$500 billion of waste annually. In Wisconsin, this means \$10 billion to use for other purposes such as paying for the technology needed to enhance the efficiency and effectiveness of the health care system, improving wages, and making our companies more competitive. Here is how we can achieve this goal.

Reform #1: Statewide Evidence-Based Prescription Drug Purchasing

The first of the reforms envisioned by the NWI calls for state-

wide evidence-based prescription drug prescribing and purchasing. Take a moment to consider what it would mean to have a state-wide evidence-based prescription drug formulary developed by the state's own physicians and pharmacists. Further, consider the impact of having a single not-for-profit cooperative purchase prescription drugs on behalf of all Wisconsin citizens. Prescribing would become more uniform, citizens would know they are getting the most appropriate drugs at the best price available, clinics and pharmacies would be able to carry a smaller drug inventory, and doctors would not have to deal with the myriad formularies in use today.

A group of state businesses launched this reform in 2003 when they joined to form a drug purchasing coalition called WisconsinRx. They hired top-level experts to negotiate contractual protections and financial terms that none of them could obtain alone. A recent independent audit found that WisconsinRx slashed prescription drug costs for member companies by as much as 30%.¹ These savings came from lower drug costs, better rebates, and lower administrative expenses—not from cost shifting or plan design changes.

The presence of WisconsinRx

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has set a new standard for prescription drug deals in the state and has benefited even those companies whose current pharmacy benefit managers sweetened their deals to maintain their market share. While this has a short-term benefit for these companies, it shortchanges them in the long term by maintaining the fragmentation in the marketplace, which adds hundreds of millions to drug spending waste statewide.

Reform #2: Centralized Transaction Processing and Data Collection

A central claims transaction hub forms the core of the NWI reform package. Under the current fragmented approach to data collection and claims processing, there is no central way to collect or analyze data. There are hundreds, if not thousands, of separate systems in place to code, translate, review, and pay claims. Inconsistency abounds, and the cost of the administrative resources required to code, analyze, decode, pay, and evaluate claims is dizzying.

By establishing a central processing hub, we can not only greatly reduce claim processing costs, but by establishing uniform coding and medical necessity standards, we can reduce the hassles caused by today's inconsistent standards. The hub would be part of a unique health care information superhighway that would play a pivotal role in measuring and improving clinical quality and efficiency. It would quickly identify public health issues, vastly improve public health education, and enhance disease management.

A voluntary organization comprised of insurers, health care

professionals, state agencies, the Wisconsin Medical Society, and other stakeholders took the first step in implementing this reform. The Wisconsin Health Information Organization (WHIO), formed in 2005, is creating a central data repository by collecting medical and prescription claims from most major payer groups. WHIO hopes to drive physician performance improvement, raise health care quality, and publicly report health care professionals performance. Given that experts estimate that poor quality accounts for 30% of the waste in health care, this reform offers a huge cost-saving possibility.²

A centralized claims transaction hub would save a huge amount of money by reducing transaction costs for health care professionals and payers alike. However, it would save even more when combined with other reforms. For example, WHIO's efforts are beneficial in two ways. First, a centralized hub would greatly reduce WHIO's data collection and data scrubbing costs. Second, WHIO would have access to data from every health care transaction in the state. Similarly, the statewide drug purchasing pool outlined earlier would have the data necessary to analyze drug effectiveness and utilization trends, both important in establishing a preferred drug list. This reform would also greatly enhance the goal of improving health care cost, quality, and value transparency, outlined in the next section.

Reform #3: Transparency of Health Care Cost, Quality, and Value

We all want consumers to be more responsible for their health care purchasing decisions. Yet we

have created a system in which neither consumers nor health care professionals have information about the relative cost, quality, and value of health care. This fact stems from both the lack of an adequate data set and from the fact that health care professionals charge widely different amounts to their patients for any given service due to discounting that has gotten completely out of hand. As a result, the health care marketplace does not behave rationally. If we are to save it, we must rationalize the health care system.

First, we must adopt a requirement that every health care professional charges every purchaser the same amount for a given service. Second, we must make health care cost and quality (value) transparent to consumers.

Uniform charges will bring fairness to our health care system. It would also save health care professionals and payers the tens of millions of dollars they now spend managing and negotiating discount arrangements. No longer could mega-insurers demand 50% discounts and no longer would those without insurance pay a premium price for health care. Transparency would force health care professionals to compete on the value they deliver and not on the discounts they provide.

Equal charging is not enough to create true price transparency. We must also create a way to simplify comparisons among health care professionals. The NWI would do this by creating a standard charge master from which all health care professionals would define their charges. Consumers are also entitled to know how health care profes-

sionals compare in terms of quality and efficiency. This reform, combined with the work of the WHIO group, can put this within our reach.

Reform #4: Universal Access to Preventive and Catastrophic Care

We need to make health care more accessible and affordable. A public health plan that covers only preventive and catastrophic care will improve public health and reduce the cost and improve the quality of catastrophic care through a “centers of excellence” program. It will make health care more accessible by taking catastrophic costs out of the insurance equation.

The data sets created by Reform

#2 can help to identify centers of excellence. Small businesses and individuals will rely on Reform #1 and Reform #3 to pay the same drug and medical prices as large businesses and on Reform #4 to get the protection of catastrophic coverage to get more competitively priced insurance. Those not covered by employer plans will rely on all of the reforms to buy more affordable bridge coverage.

The New Wisconsin Idea: The Future of Health Care

Our leaders will soon face the question of when and how to reform the health care system. If they continue to cater to the entrenched special interests of the status quo that thrive on the inef-

ficiencies of the current system, the public’s outrage will spawn radical reform. Such reform is likely to be abrupt, painful, and divisive. On the other hand, if we take the measured steps identified in the NWI, we can develop a competitive health care system in Wisconsin that provides its citizens with the best quality care in the world and gives its businesses a competitive advantage over out-of-state rivals. The choice is still ours to make.

References

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2. Midwest Business Group on Health. Reducing the cost of poor-quality health care through responsible purchasing leadership. June 10, 2002.

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