CASE STUDY

CITY OF MILWAUKEE

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Because the economic pain of out-of-control medical costs is so high and Federal Government reforms are so slow, school districts, counties, and municipalities are moving on their own to find savings across the four major platforms for containing health care spending: self-insurance, consumer-driven incentives and disincentives, onsite proactive primary care, and value-based purchasing.

The City of Milwaukee, Wisconsin, with 6,500 employees is one spectacular example. The city has held its health care costs *flat* for the last five years, stopping its previous hyper-inflationary trend of eight to 9 percent annual increases. Milwaukee spent $139 million on health care in 2011 before switching over to a self-insured plan in 2012. Costs dropped to $102 million in 2012 and have stayed at about that level ever since—even in the face of 6 percent annual inflation for nationally employer plans over the same period.

If the old trend had continued, health costs for 2016 would have been about $200 million, double what they actually were. Instead, the cost savings have had many additional positive ramifications: raises for county employees, no layoffs, flat employee premium contributions, better health outcomes for employees

and their families, improved productivity, lower absenteeism, and less pressure to raise taxes.

Michael Brady, benefits manager, led this intelligent management approach in close collaboration with the mayor, city council, and unions. As with other enlightened group plans, there are many moving parts. Here's a sampling.

- Twelve percent of costs are paid by employees, but these have stayed flat because employees are making better decisions about family health and care purchases.
- An onsite wellness center and workplace clinic, headed by nurse practitioners, have sharply reduced hospital admissions. Onsite physical therapy was added last year. These services are free for employees and spouses.
- Relatively low deductibles (now $750 per single employee and $1,500 per family) were installed to create a consumer-friendly environment.
- Coinsurance was set at 10 percent for members who use UnitedHealthcare's Premium Provider program, which uses only doctors designated as top doctors by UnitedHealthcare. Coinsurance is 30 percent for providers outside that group. This tiered approach, aimed at improving health outcomes, is a form of value-based purchasing.
- Participants in the city's wellness program can earn $250 in a health account. Good progress has been made on hypertension and smoking (now 12 percent vs. U.S. average of 14 percent), but, as with other employers, there's not been as much traction on obesity. There have been some improvements on chronic disease management of diabetes.*
- A $200 ER copay has cut nonurgent ER visits by 300 per year.

* *While workplace wellness programs typically have no or negative ROI (see Chapter 8), approaches that use solid clinical evidence to address costly chronic illness and procedures without encouraging overtreatment are sometimes lumped into the same category as typical workplace wellness programs. However, they are highly different in goals, execution, and results.*

- An intense program to reduce injuries, started in 2008, has resulted in a 70 percent drop in injury hours off work. The program has saved $10 million per year compared to the previous trend line.
- Milwaukee now spends about $15,000 per employee per year, well below the national average and not too far off the $13,000 at the best private companies.

Government entities are not known for bold innovation, so this track record is an eye-opener, especially in a unionized environment. The results, said Brady, are nothing short of amazing "considering changes in the city's workforce demographics and the challenging environmental hazards that city employees regularly face."

These changes have taken place at the same time that the nation as a whole has experienced much more disappointing progress from federal reforms, e.g., much higher deductibles for plans sold on ACA exchanges, double-digit premium rises for employers in many states, and a cost to the Federal Government of about $5,000 per subsidized plan member per year.

Clearly, most of the meaningful reform of the economic chaos from health care in this country is coming from self-insured employers, like the City of Milwaukee.

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CHAPTER 7

CRIMINAL FRAUD IS MUCH BIGGER THAN YOU THINK

Most of us think of fraud in health care as the domain of a few bad doctors, similar to what exists in virtually any human enterprise. In reality, it adds up to a staggering $300 billion annually, roughly 10 percent of all spending.[80] It is also remarkably straightforward to stop, but only if claims administrators—those actually able to stop it—do so. Yet most lack the financial incentives to do so, only making basic attempts after-the-fact that are like trying to stop fraud with a musket in an era of unmanned drones.

More alarming is that significant fraudulent gains may go to foreign actors. The world's cybercrime hotspots are all outside the United States, according to *Time*.[81] *Infoworld*[82] explained why hackers want your health care data. Among other reasons, it has a much longer shelf-life than other targets like credit cards, which become useless once a consumer gets a new card. However, medical and insurance information has value for years.

If fraud weren't bad enough, the fact that it is leaving the U.S. economy makes it even more of an economic drain. Stopping fraud would be like providing the American economy with an annual recurring $300 Billion economic stimulus. Over two-plus years, that stimulus would be equivalent to the massive stimulus at the beginning of the 2008 financial crisis.