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HIGH HEALTH INSURANCE COST IN WISCONSIN DUE TO LACK OF COMPETITION

Milwaukee Between 27% and 55% Higher Than National Average

With the issue of health care cost currently dominating the nationwide public debate, Milwaukee continues to have some of the most expensive health care in the nation, according to a new report from the Wisconsin Policy Research Institute. In “**Why Milwaukee Health Care Costs are High: What To do About It,**” author Linda Gorman, Ph.D., explains that expensive health care in Milwaukee is due not only to the strong union tradition of the city, but also because of health care consolidation that has taken place recently – which leaves patients with fewer options, less competition, and higher prices.

According to Gorman, Wisconsin health care has consolidated to an extraordinary extent over the past 20 years, leading to less consumer choice and higher costs. “In competitive markets, more competitors usually create lower prices because each individual producer has a more limited ability to raise prices, and lowering costs may be one of the few ways to increase profit,” says Gorman.

The report also describes how state regulation of the health care market can increase costs to the consumer. Wisconsin law mandates that 33 procedures be covered by a health plan operating in the state, including regulations requiring that dentists be included in plans, and mandates that require insurers to cover contraceptives, in-vitro fertilization, prescription drugs, rehabilitation, and well-child care. Each one of these adds to the cost of a consumer’s health care and makes it more difficult for a health plan to operate in Wisconsin.

To hold costs in Milwaukee down, Gorman argues for increased utilization of market-based health tools such as Health Savings Accounts and high-deductible health plans. When consumers have the freedom to shop around for their own health care, competition will force lower prices, says Gorman. With a high deductible policy, health care consumers can save over \$100,000 over their 40-year work career, says Gorman. She cites several companies, including Whole Foods, Wendy’s International Inc, and Lutheran Social Services of Illinois, who have moved towards Health Savings Accounts and high-deductible plans with initial success in lowering health costs for their businesses and employees.

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“Expanded access to consumer-directed health plans offers a promising corrective to the high health care costs created by rich health care plans. Because consumer-directed plans reduce ties to any particular health care network, they may help further a gradual process of deregulation,” says Gorman in the report.

Linda Gorman is a Senior Fellow at the Independence Institute, a free market think tank in Golden, Colorado and director of the Institute's Health Care Center. A freelance writer and researcher, she was a weekly columnist for the Colorado Daily in Boulder.