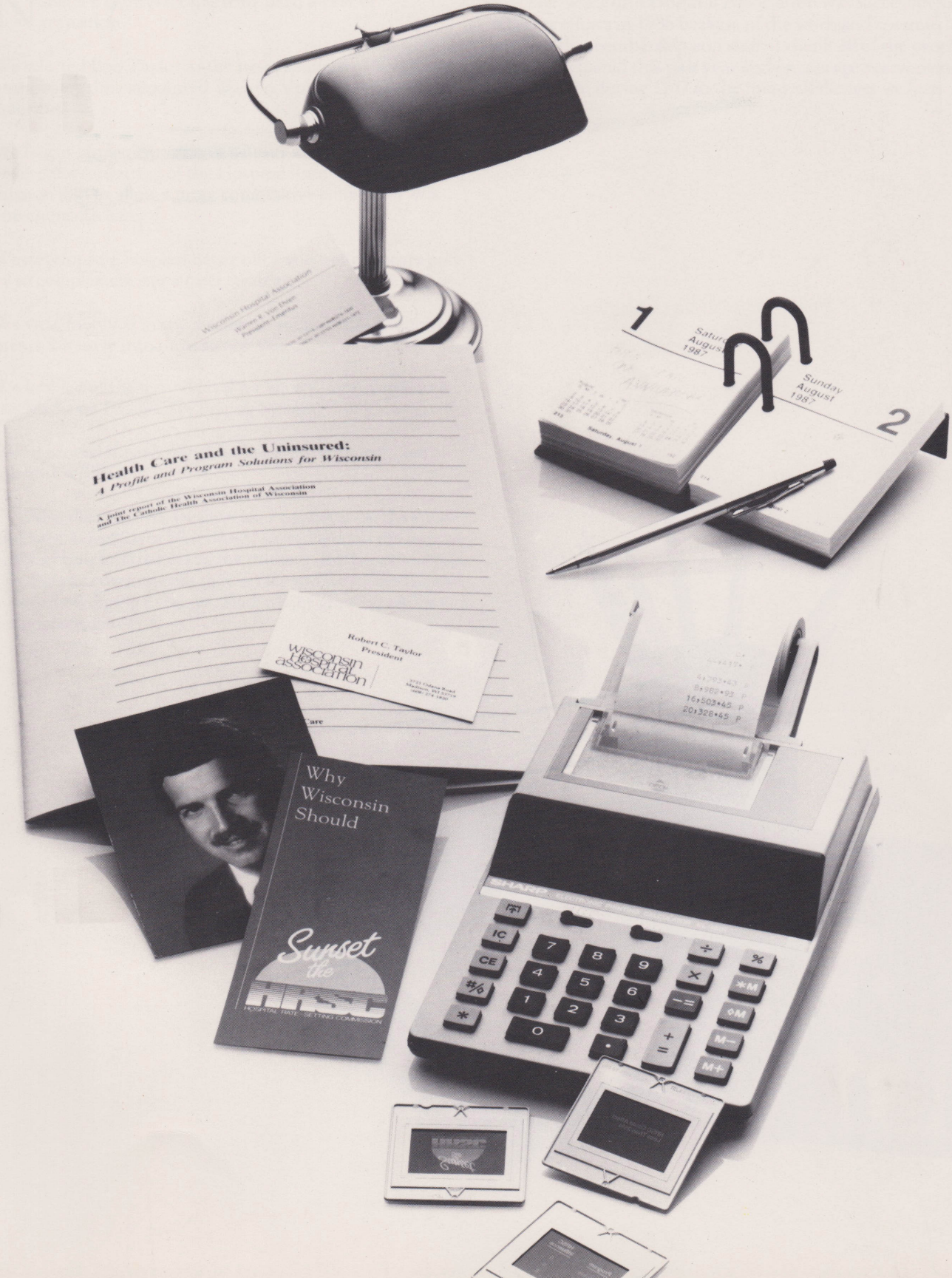


WISCONSIN HOSPITAL ASSOCIATION

REPORT TO THE MEMBERSHIP 1986



JOE NEIDENBACH

CHAIRMAN'S COMMENTS

Nineteen eighty-six has truly been a year of transition.

We selected Bob Taylor as the new president of WHA, and at the same time appointed Warren Von Ehren president-emeritus.

We began implementation of a multi-component plan to ensure the sunseting of the Hospital Rate-Setting Commission and to allow a more competitive climate for Wisconsin health care.

We developed a hospital data policy and indigent care policy to complement our sunset strategy.

We were involved in the discussion on redefining requirements for entry into nursing practice.

We lobbied at the federal level for equity improvements in the Medicare Prospective Pricing System.

We improved the relationships between Wisconsin hospitals and WIPRO.

Also during 1986, we increased our focus on the small and rural hospitals of Wisconsin; we recognized the importance of hospital trustees as the primary link between hospitals and the communities they serve; and we formed a new Council on Aging to better relate to our growing senior citizens constituency.

The Wisconsin Hospital Association was successful in all these efforts in 1986 because of the work and commitment of the membership and staff. I thank all of the people who participated this past year and encourage everyone to get involved during 1987 in the many challenges we face.



TOMMY THOMPSON

A MESSAGE FROM THE GOVERNOR

Your industry uniquely combines the latest advancements in technology with old fashioned caring attention that never goes out of style.

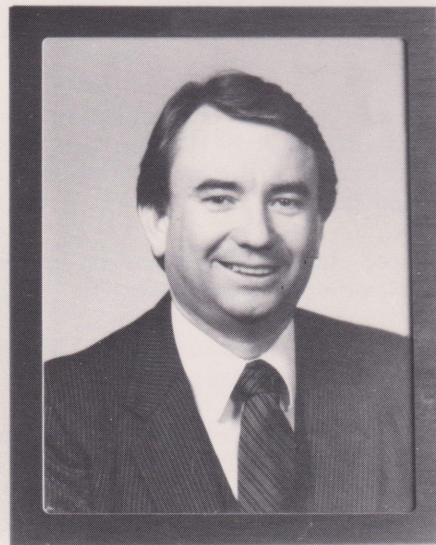
As you know, in the past several years there has been a mixture of competition and regulation that has promoted efficiency and excellence in the delivery of health care services.

We have now reached a time when regulation is not as necessary as it was in earlier years. Therefore, my budget proposal eliminates base funding for the Hospital Rate-Setting Commission so that it can sunset on June 30, 1987 in accordance with state law. The competition will prevent large rate increases.

To help both providers and purchasers of health care services, my budget also includes the recommendation to create an Office of Health Care Information in order to encourage competition and a greater awareness of health care options.

Moderate changes are also proposed for the Capital Expenditure Review program in anticipation of its sunset in 1989.

I am proposing these changes because I have great confidence in you and your talents for providing quality health care at reasonable prices for all Wisconsin citizens.



ED HOWE

HRSC SUNSET & COMPETITIVE CLIMATE

Working toward the sunset of the Wisconsin Hospital Rate-Setting Commission was a top priority for Wisconsin hospitals in 1986. Because of the efforts of many Wisconsin legislators and through the educational effort Wisconsin hospitals have embarked upon, the notion of drastically reforming or altogether abolishing the Commission now enjoys widespread bi-partisan support. This support exists in the Wisconsin legislature and in the public's mind as well.

The election of Governor Thompson in November, 1986, also aids the sunset effort. His public statements—as reflected in this annual report—indicate that he is committed to the Commission's abolishment. He clearly favors a less regulated, competitive health care industry.

An increasingly competitive health care environment in Wisconsin is evident in several ways. Hospitals have expanded services to meet market demand in new areas. Examples are the provision of ambulatory care and the establishment of home health agencies. Another competitive element in the health care economy is the growth of Health Maintenance Organizations (HMOs). This growth can be seen in the number of HMOs and the number of persons covered by HMOs. Market force generated by HMOs and other competitive elements has required hospitals to focus on providing health care services in a cost effective manner. It also has convinced the purchasers of private health care, business and industry, that sunsetting the HRSC is important from a cost containment standpoint.

Clearly, the sunset of the Hospital Rate-Setting Commission was a major effort for Wisconsin hospitals throughout 1986. Only through continued effort and vigilance will this goal be achieved on June 30, 1987.

