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## **Study finds wide variation in pricing for hospital services in Indiana** *Report will help employers become better-informed purchasers of health care on behalf of their employees*

**Indianapolis, IN** – The Employers' Forum of Indiana commissioned RAND Corporation, the nation's largest independent health policy research organization, to analyze insurance claims data to provide insight into the prices employers pay to hospitals in Indiana. Prices are defined as the amount paid per service by both the health plan and the patient. The goal of the study is to provide information to help employers become better-informed purchasers of health care and stronger advocates on behalf of their employees. Forum members include employers, health plans, hospitals/health-systems, provider groups, and other stakeholders working towards improving healthcare in Indiana.

The study by RAND Corporation calculates the actual prices paid for hospital services in Indiana by analyzing insurance claims data provided by over a dozen employers who chose to participate in the study. Participating employers provided health benefits to over 225,000 people during the study period, July 2013 through June 2016, which represents about seven percent of the Indiana population with employer-sponsored health coverage. Employers participating in the study spent almost \$700 million on hospital care over the three-year study period but had limited information about the prices they paid hospitals for their employees' health care.

The study is based on medical claims data for inpatient and outpatient hospital services. For context, the study compares the amount employers paid hospitals to what Medicare would have paid for the same services at the same hospitals. Thus, hospital study prices are reported relative to Medicare prices. Medicare pricing is considered a fair benchmark as it uses the same formula to calculate hospital payments across the country.

Key findings from the study include:

- Prices vary widely, ranging from less than 200% to as much as 370% what Medicare pays.
- The state's largest hospital systems generally command the highest prices.
- The average price for *inpatient* hospital care in Indiana is 217% of Medicare rates, compared to 175% nationally.
- The average price for *outpatient* care in Indiana is 358% of Medicare rates. National data are not available.
- The relative price of hospital care in Indiana rose sharply over the three-year study period.

“By itself, increased price transparency will not bring down prices, but it can enable employers and other purchasers to change their health benefit design in ways that reduce costs,” said Dr. Chapin White, the study's author and a senior policy researcher at RAND.

While previous studies have examined the relative cost of hospital care, the RAND study, commissioned by the Forum, is the first in the U.S. to include details about the prices paid to individual hospitals and health systems rather than reporting results in an aggregated or blinded fashion. The Forum intends to commission an expanded study next year.

Employees are paying more and more out-of-pocket as healthcare costs rise. In fact, according to the 2017 Milliman Medical Index, a family of four in the U.S. spends nearly \$26,944 per year on healthcare. Of this amount, \$11,685 is paid by the employee in healthcare premiums and out-of-pocket costs. “This pilot study provides critical information for employers as they consider how to improve the value of healthcare their employees receive. Value takes into consideration the quality of services provided and the price for these services,” said Gloria Sachdev, Pharm.D., president and chief executive officer of the Employers' Forum of Indiana. “In addition to the Forum considering strategies to address high prices, our next step is to work towards assuring that hospital quality is addressed in a fair manner. Reporting hospital quality alongside price will provide

employers and employees the information they need to determine which hospitals and health systems would be best suited for their healthcare needs.”

[Click here](#) to read the full RAND study. Funding support for the RAND study was provided by the Robert Wood Johnson Foundation.

**About The RAND Corporation**

RAND Health is the nation’s largest independent health policy research program, with a broad research portfolio that focuses on health care costs, quality and public health preparedness, among other topics.

**About the Employers’ Forum of Indiana**

The Employers’ Forum of Indiana is an employer-led multi-stakeholder coalition whose mission is to improve the value payers and patients receive for their health care expenditures. Forum members include employers, health plans, hospitals/health-systems, providers, and numerous other interested healthcare stakeholders who work collaboratively to improve health care in Indiana.