

# Hospital Prices in Indiana: Findings from an Employer-Led Transparency Initiative



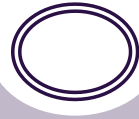
CHAPIN WHITE  
SEPTEMBER 20, 2017

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This briefing draws on a report that is freely downloadable from RAND's website: [https://www.rand.org/pubs/research\\_reports/RR2106.html](https://www.rand.org/pubs/research_reports/RR2106.html).

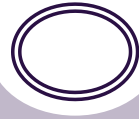


# What Data Did We Use?



- Claims for hospital inpatient and outpatient services
- 120 community hospitals in Indiana
- Participating self-funded employers, ~225,000 covered lives
- July 2013-June 2016
- \$695 million in paid claims

# What Did We Measure?



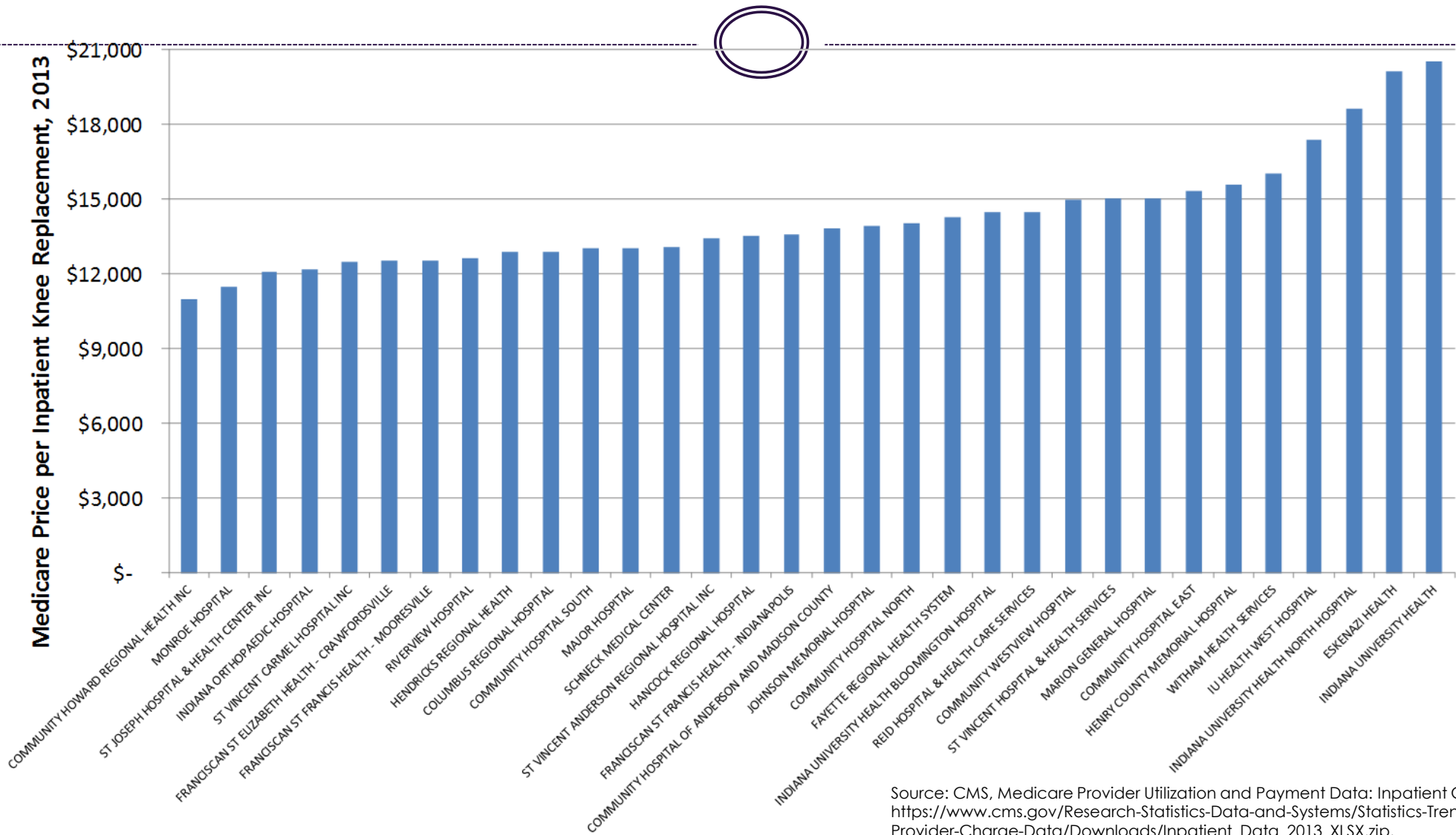
- “Relative prices”

$$\frac{\text{amount paid by self – funded plans in Indiana}}{\text{simulated amount paid applying Medicare's price – setting formulas}}$$

- Relative prices are

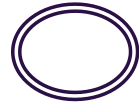
- casemix-adjusted
- adjusted for local wages, teaching, uncompensated care

# Medicare Prices Vary, and We Know How and Why

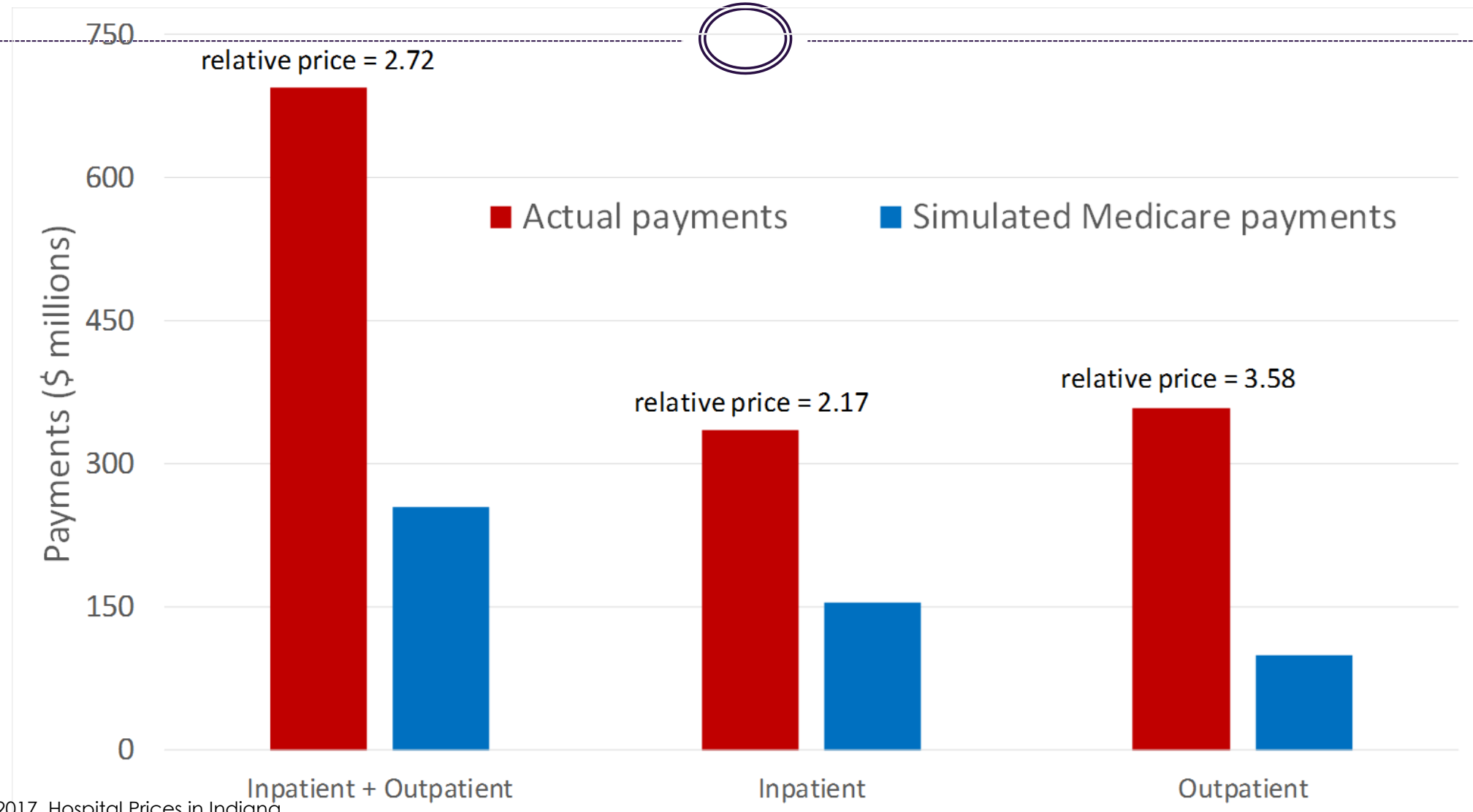


Source: CMS, Medicare Provider Utilization and Payment Data: Inpatient Charge Data, FY2013.  
[https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Medicare-Provider-Charge-Data/Downloads/Inpatient\\_Data\\_2013\\_XLSX.zip](https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Medicare-Provider-Charge-Data/Downloads/Inpatient_Data_2013_XLSX.zip).

# What Did We Find?

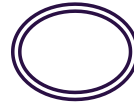


# What Did We Find?

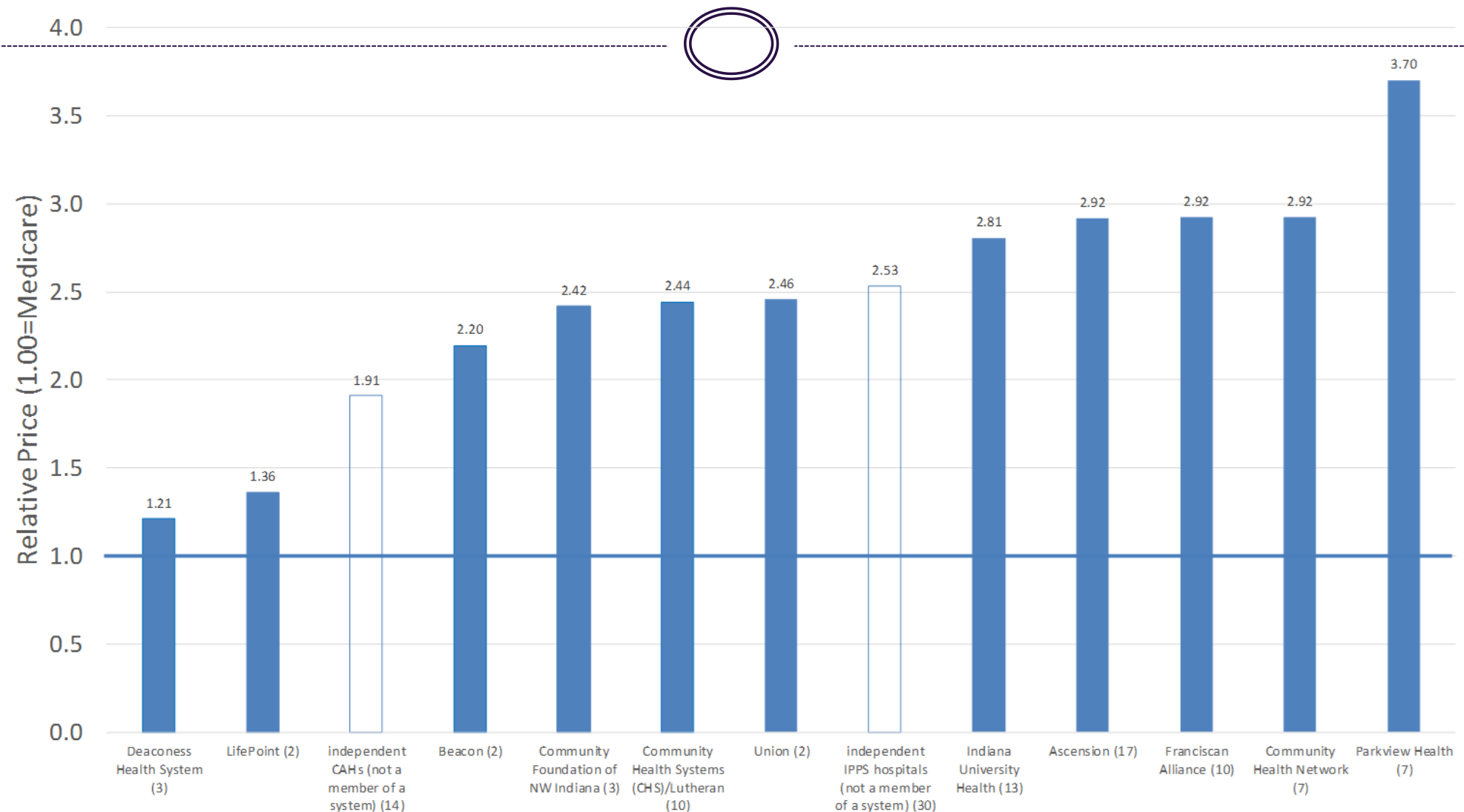


Source: White, 2017, Hospital Prices in Indiana.

# How Do Relative Prices Vary Across Hospital Groups?

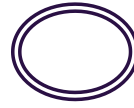


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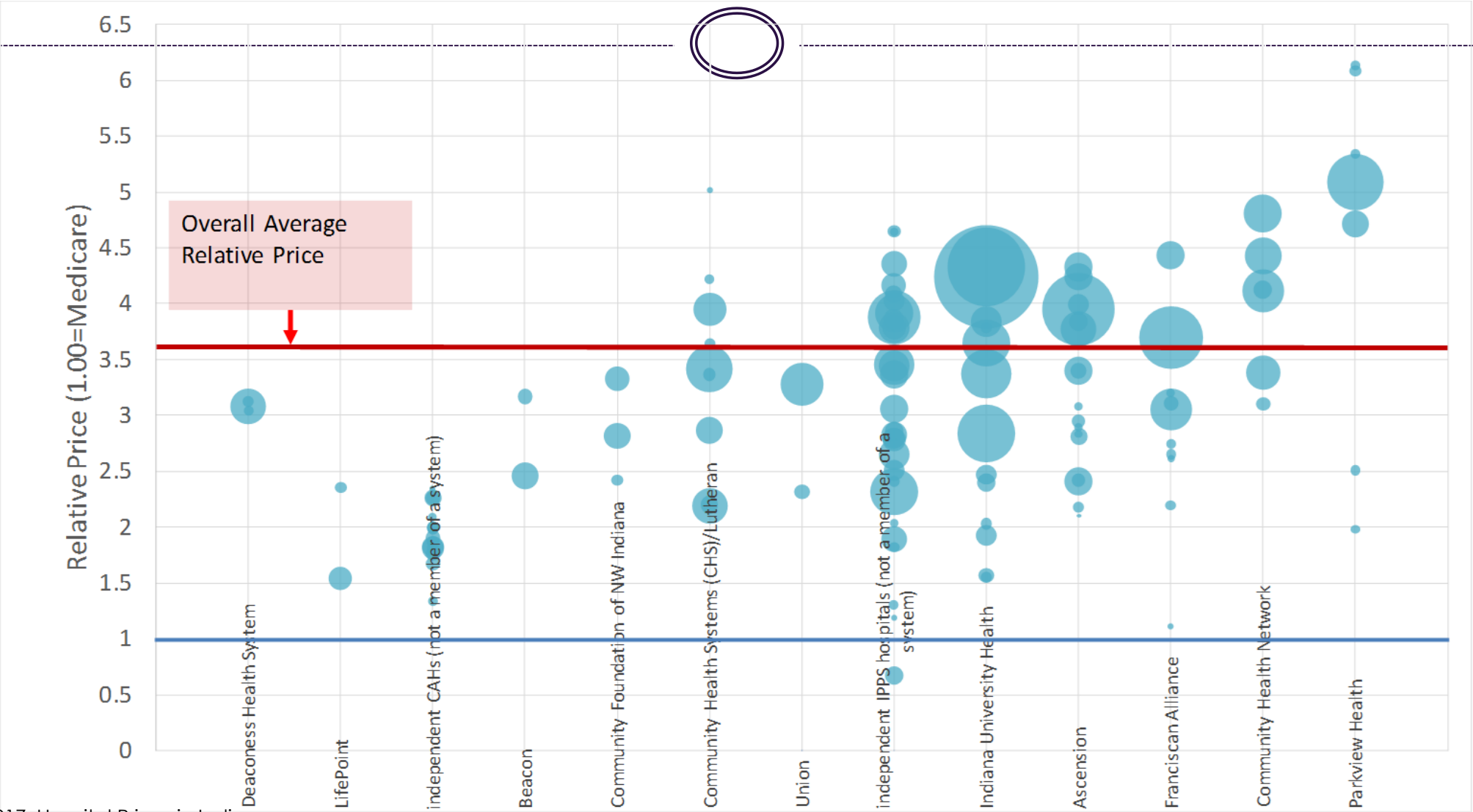


Source: White, 2017, Hospital Prices in Indiana.

# How Do Relative Prices Vary Across Hospitals Within Groups?

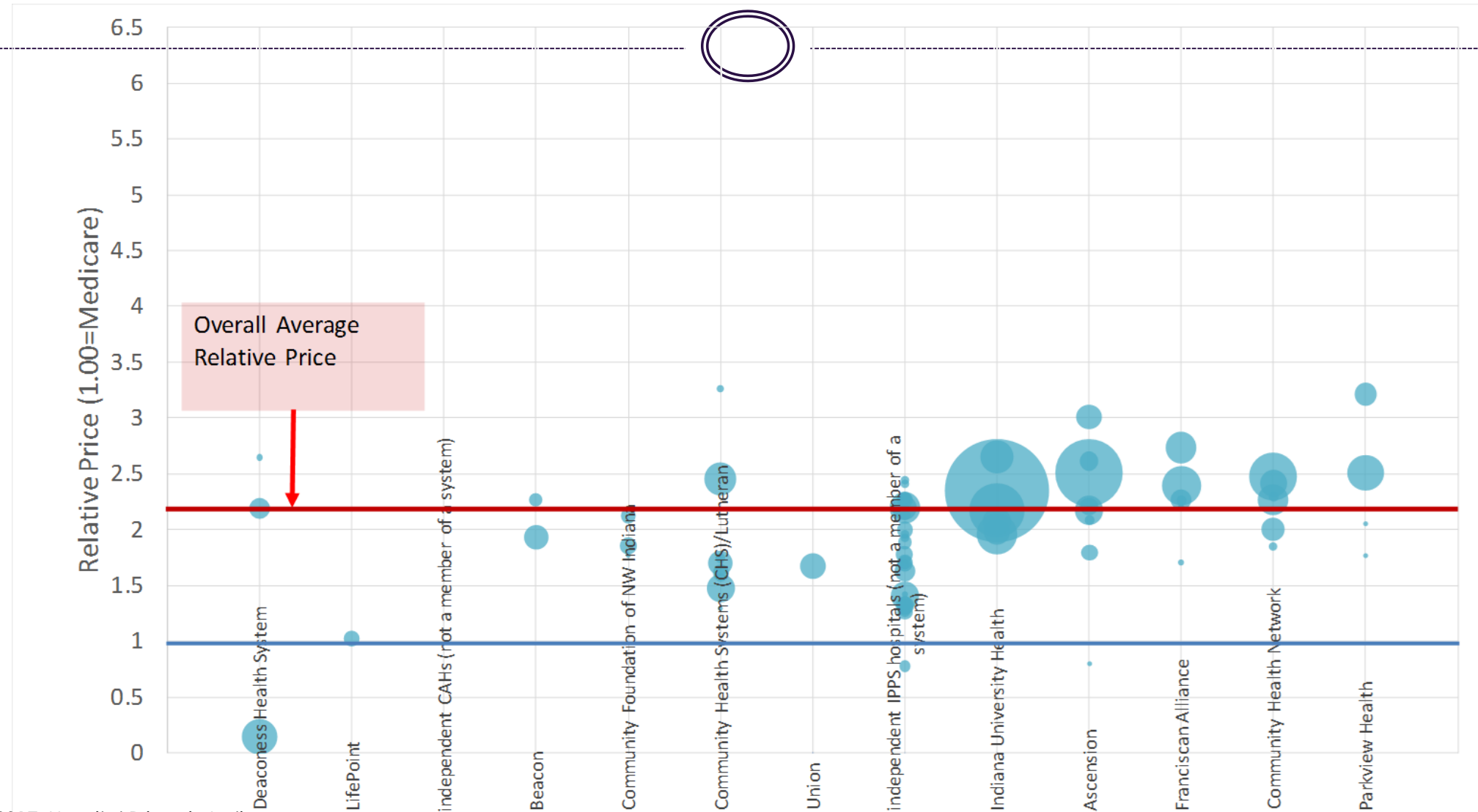


# How Do Outpatient Relative Prices Vary Across Hospitals?



Source: White, 2017, Hospital Prices in Indiana.

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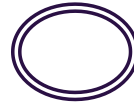
# How Do Prices Vary Geographically?

<https://www.rand.org/health/projects/indiana-hospital-prices.html>

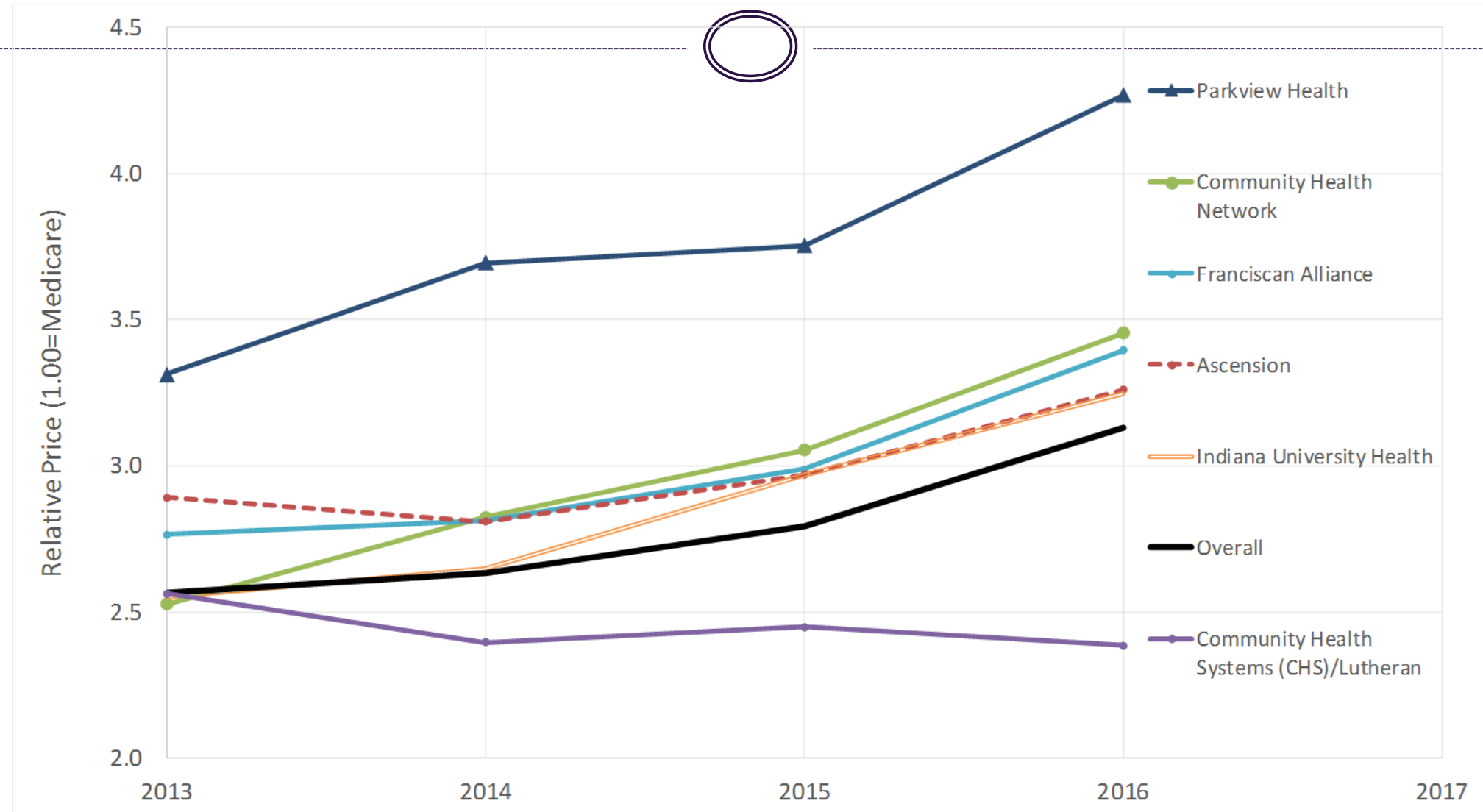


<<Price Map>>

# Are Relative Prices Trending Up or Down?

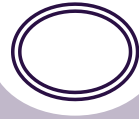


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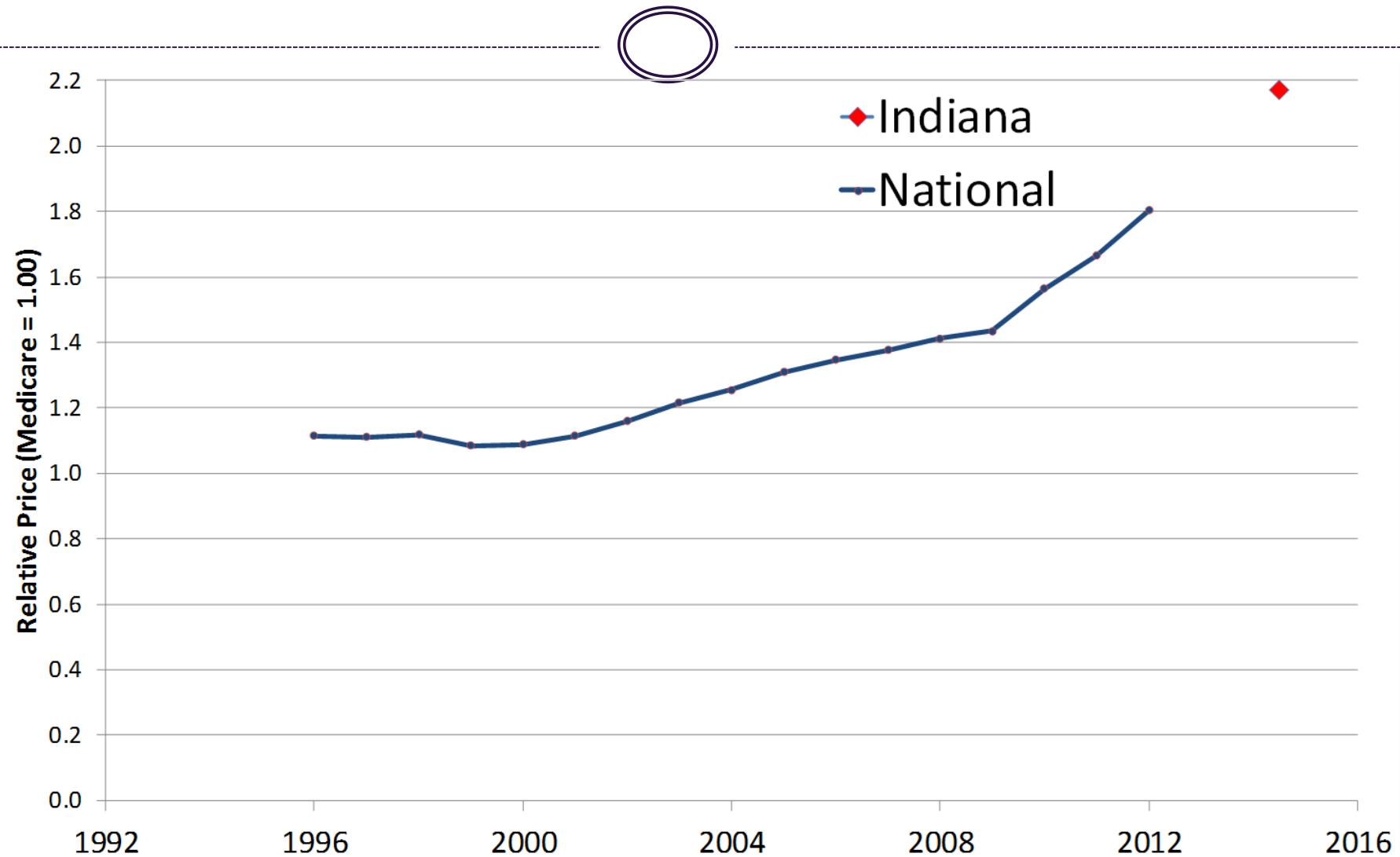
# Takeaways



## Prices paid by self-funded employer plans in Indiana

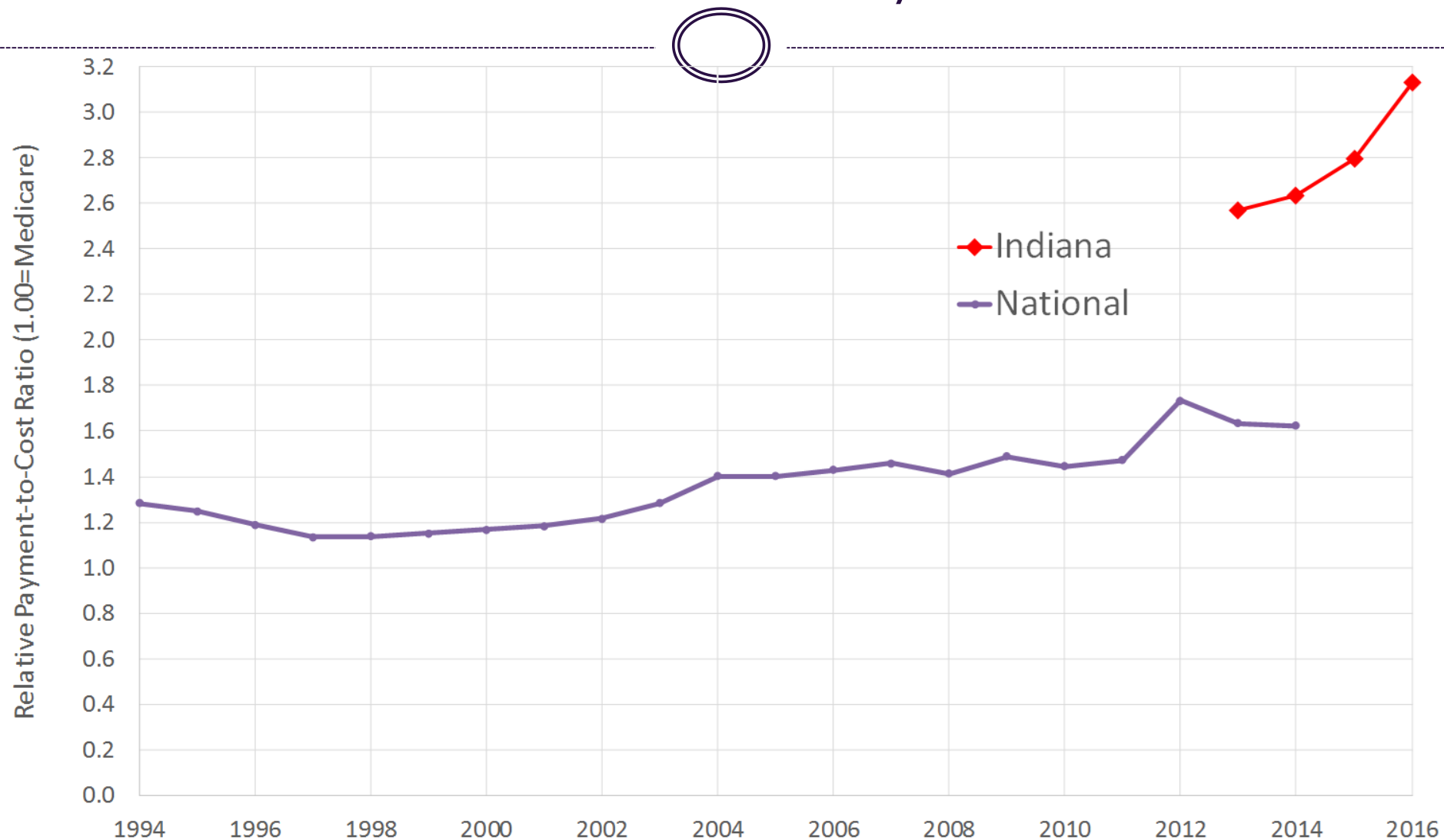
- 272% of Medicare prices for same services, same hospitals
  - higher than national norms
- relative prices higher for outpatient than inpatient

# National Benchmark: Trends in Inpatient Prices



Source: Selden, et al., "The Growing Difference Between Public And Private Payment Rates ...," Health Affairs, 2015.

# National Benchmark: Trends in Private vs Medicare Payment-to-Cost Ratios



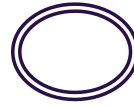
Source: American Hospital Association Chartbook, Table 4.4.

# National Benchmark: Prices for 235 “Care Bundles”



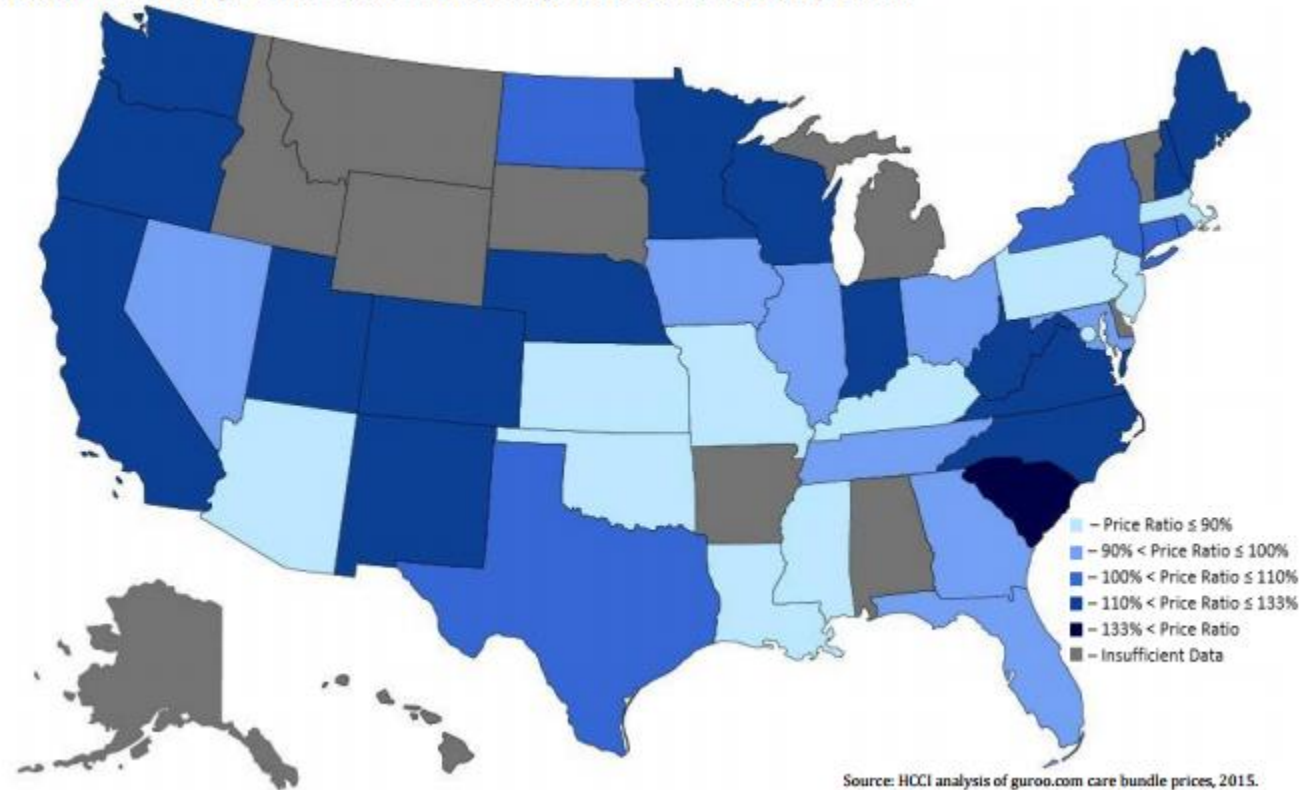
- Indiana average = 1.13 (i.e. 13% above national average)

# National Benchmark: Private Prices for Knee Replacement

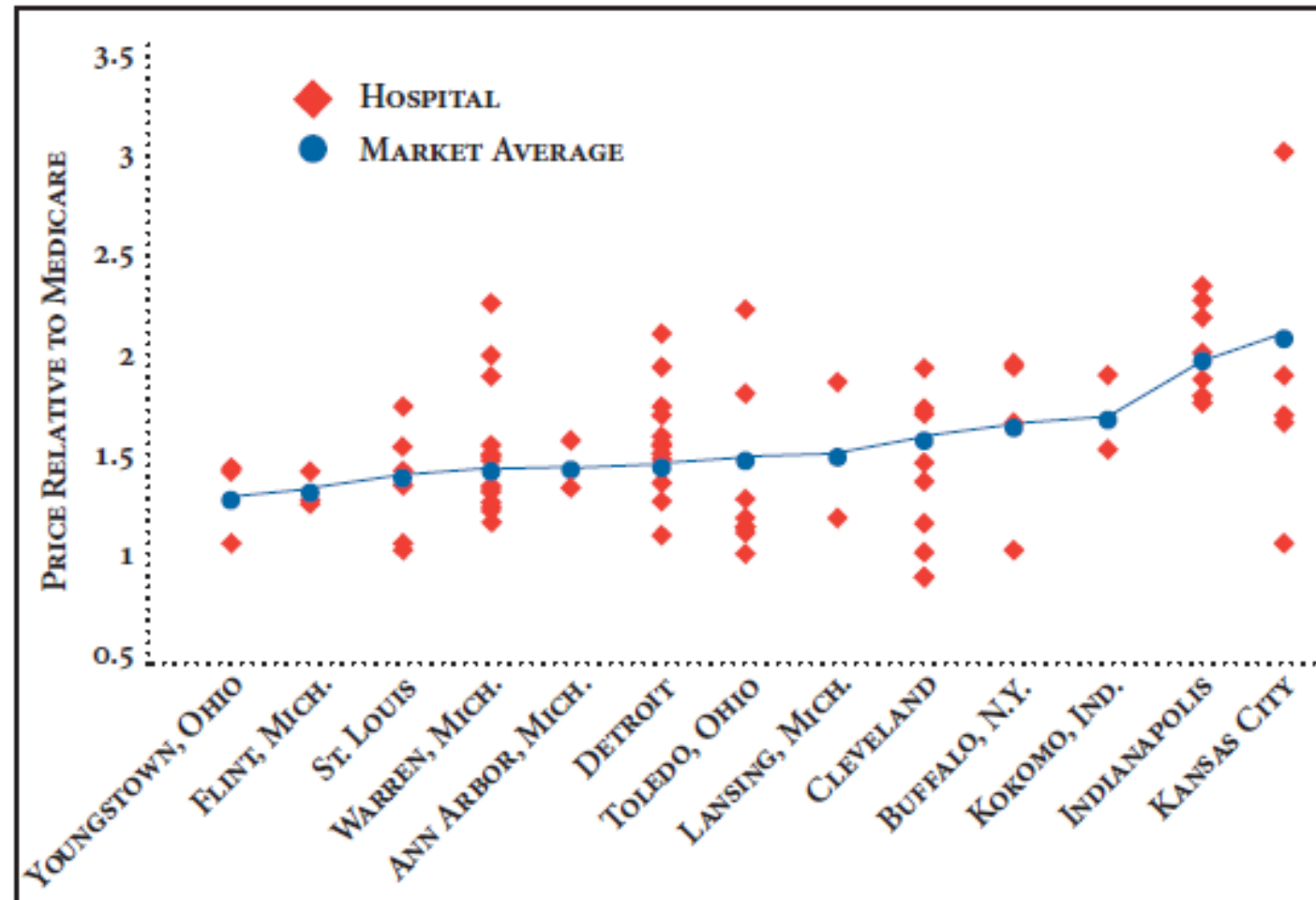


## Knee Replacement (40 States)

Ratio of Average State Price to Average National Price, by State

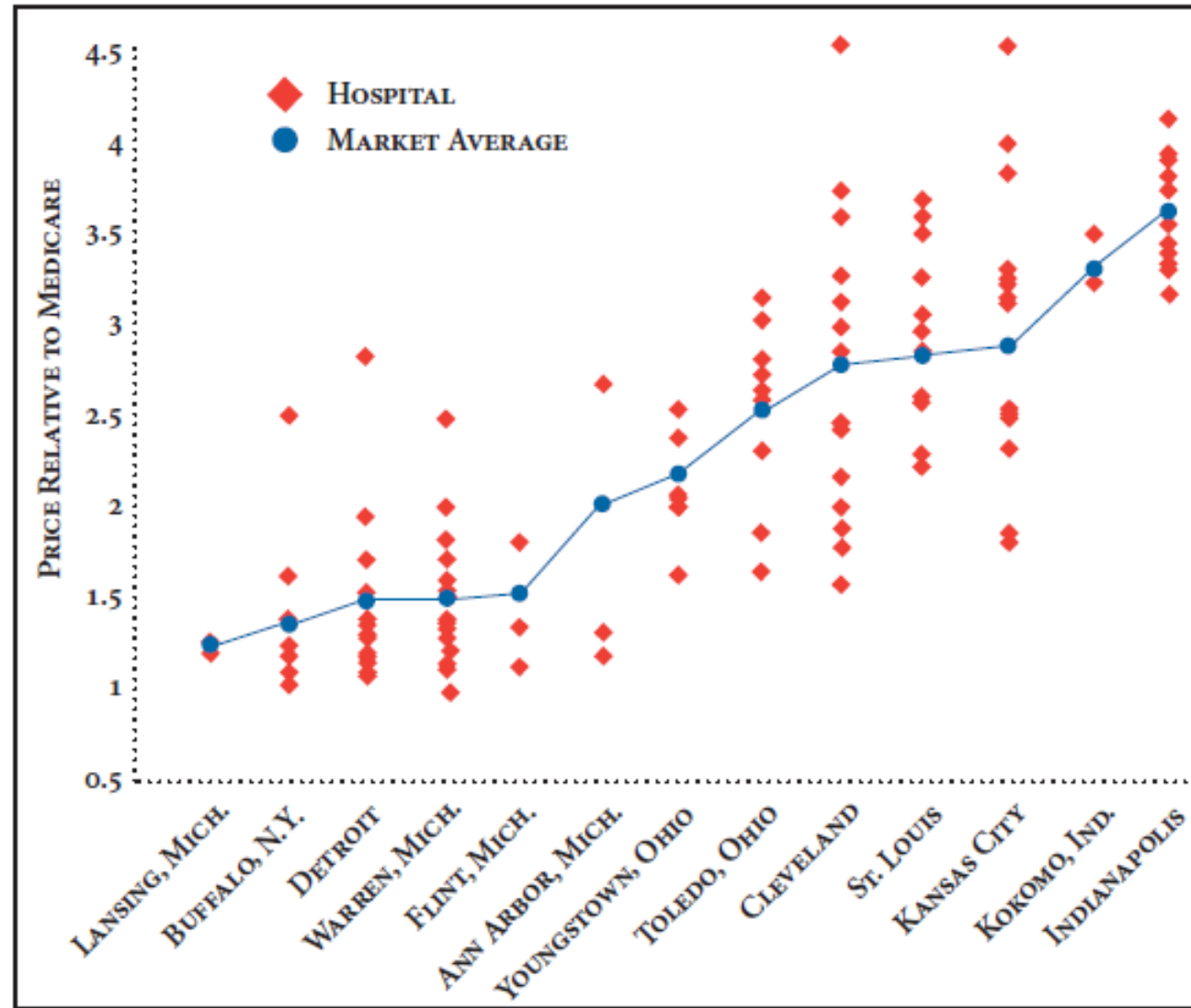


### Variation in Hospital Inpatient Prices for Privately Insured Patients Across and Within 13 U.S. Markets



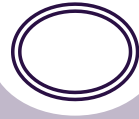
Source: White et al., High and Varying Prices for Privately Insured Patients Underscore Hospital Market Power, 2013, <http://www.hschange.com/CONTENT/1375/1375.pdf>.

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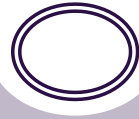
# Takeaways (cont.)



## Prices paid by self-funded employer plans in Indiana

- the 6 large systems generally get higher prices than small systems and independents
  - Parkview Health is the highest-priced system
- relative prices vary widely among hospitals within each system
- relative prices increasing, especially for Parkview and CHN

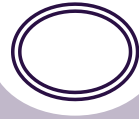
# What Can Employers Do To Rationalize Prices?



Over short term, ...

- Update price report to include July 2016-June 2017
- Expand price report to include more employers
- Form an employer-led “Health Data Coop”

# What Can Employers Do To Rationalize Prices?



Over medium term, push health plans to ...

- Move away from discounted-charge contracts for outpatient
- Move toward fixed-rate contracts (like Medicare)
- Move patient volume away from high-priced providers
  - tiered cost sharing
  - reference-based benefits
  - narrow networks
  - ACOs/shared savings
- Set performance targets for relative prices, with rebates for employers if plan overshoots

# What Can Employers Do To Rationalize Prices?



Over long term, push policy makers to ...

- Limit payments for out-of-network care (like Medicare)
- Allow Medicare buy-in
- Modify Cadillac Tax so that it is based on relative prices

# Thank You!



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