

Indiana hospital pricing

Benchmark explainer

October 2026

Indiana has enacted numerous laws aimed at reducing hospital prices, each using a different price benchmark. The laws respond to Indiana's high commercial hospital prices.

The most recent RAND Hospital Price Transparency Study found that Indiana hospital prices averaged **300% of Medicare**, meaning commercial insurers paid, on average, three times what Medicare would have paid for the same services.

The benchmarks below measure different services and prices and apply to different hospitals. Meeting a benchmark under one law therefore does not necessarily indicate a hospital's prices have declined.

Indiana's three hospital price benchmarks

- **Annual pricing report benchmark:** Requires a third-party contractor to estimate how average hospital prices among nonprofit hospital systems with at least \$2 billion in annual net patient service revenue (NPSR) in 2021 compare with a benchmark of 285% of Medicare.
- **Direct-to-employer benchmark:** Requires hospitals to offer a direct-to-employer contract at or below 260% of Medicare.
- **Nonprofit tax-status benchmark:** Nonprofit hospital systems with at least \$2 billion in annual NPSR must bring their average prices across all services at or below the statewide average by 2029 to retain their nonprofit status.

Interim results and implications

Annual pricing report benchmark (2023)

- The most recent report, completed by Milliman in November 2025, found that average inpatient prices for all five hospital systems were below 285% of Medicare, while average outpatient prices were all above it. When inpatient and outpatient prices were combined, three of the five systems were below the benchmark.

- When professional services were combined with inpatient and outpatient prices, all five systems demonstrated prices below the 285% benchmark. However, these estimates included professional services provided across all entities owned by these systems, including services delivered in non-hospital settings and unrelated to hospital care, making them not directly comparable to the benchmark. The report also included claims from commercial plans sold directly to individuals (i.e., the individual market), which pay hospitals roughly 30-50% less than employer-sponsored insurance plans. Including these claims lowers the overall average compared to an analysis limited to employer-sponsored coverage.

Direct-to-employer benchmark

- The first compliance report, completed in April 2026, found that all hospital systems subject to the requirement met the threshold. The report was limited to the “Big Five” hospital systems: Ascension, Community, Franciscan, Indiana University Health, and Parkview. The next compliance report will cover all Indiana hospitals.
- Meeting the benchmark does not indicate that every service line, or every hospital within a system, is priced below 260% of Medicare. For hospitals outside the “Big Five” health systems, the calculation may also include non-hospital services. The report also does not show whether employers actually use the direct-to-employer offers.

Nonprofit tax-status benchmark

- The Office of Management and Budget is currently developing a study that will estimate the benchmark. It is expected to be completed by December 31, 2026.

Interpreting the benchmarks

- Indiana’s benchmarks use different data sources and include different populations and services. Some also include prices paid by commercial plans outside employer-sponsored coverage. Because of these differences, comparisons between the RAND studies and the benchmark reports cannot be interpreted as changes in prices that Indiana employers pay for hospital care.

- **To track what Indiana employers pay over time, future analyses should consistently measure the same hospital-based services using employer-sponsored claims and a consistent methodology.**

How the benchmarks compare

	RAND studies	Annual pricing report benchmark	Direct-to-employer benchmark		Nonprofit tax-status benchmark
			Systems with \$2B+ NPSR	All other hospitals	
Statute	N/A	HEA 1004 (2023), IC 27-1-47.5, Sec. 21	HEA 1004 (2025), IC 27-1-46.5, Sec. 9	HEA 1004 (2025), IC 27-1-46.5, Sec. 10	HEA 1004 (2025), IC 16-21-18
Threshold	N/A, but established a baseline average price of 300% of full Medicare (2020-2022) across all Indiana hospitals.	Hospital prices compared to 285% of Medicare.	Individual hospital, hospital system, or narrow network of hospitals offer a direct-to-employer health care arrangement at or below 260% of full Medicare.		Hospital system's aggregate average inpatient and outpatient hospital prices at or below the statewide average inpatient and outpatient hospital prices.
Calculation	Hospital inpatient facility, outpatient facility, and associated professional fees as a percentage of full Medicare for commercially insured plans. Claims limited to place of service reported as hospital inpatient or hospital outpatient.	Hospital inpatient, hospital outpatient, and practitioner services prices as a percentage of Medicare for the commercially insured market, calculated separately and combined, and broken out by self-funded, fully-funded, and individual market plans.	Sum of hospital inpatient and outpatient facility prices as a percentage of full Medicare. ¹	Sum of hospital inpatient facility prices, hospital outpatient facility prices, and professional fees as a percentage of full Medicare.	The office of management and budget will develop a methodology using 2023-2024 commercial claims data to determine Indiana's statewide average inpatient and outpatient hospital prices.
Covered entities	All individual hospitals	Nonprofit hospital systems with at least \$2B in annual NPSR. ²	Nonprofit hospital systems with at least \$2B in annual NPSR. ³	Hospitals not part of systems with at least \$2B in annual NPSR. ³	Nonprofit hospital systems with at least \$2B in annual NPSR. ³
Compliance date	N/A	Compliance not necessary; report expected to be submitted by December 1 of each year.	September 1, 2025	September 1, 2026	June 30, 2029
Consequence if exceeded	N/A	None	\$10,000 per day per hospital	\$10,000 per day per hospital	Hospital system loses nonprofit status for at least one year

¹"Full" Medicare includes additional payments to hospitals for components unrelated to the service rendered, such as graduate medical education, uncompensated care, and disproportionate share payments.

²This is determined based on audited financial statements from 2021.

³This is determined based on the most recent audited financial statements.