CAHPR CENTER FOR ADVANCING HEALTH POLICY THROUGH RESEARCH

School of Public Health
BROWN UNIVERSITY

State Policies to Control Hospital Prices

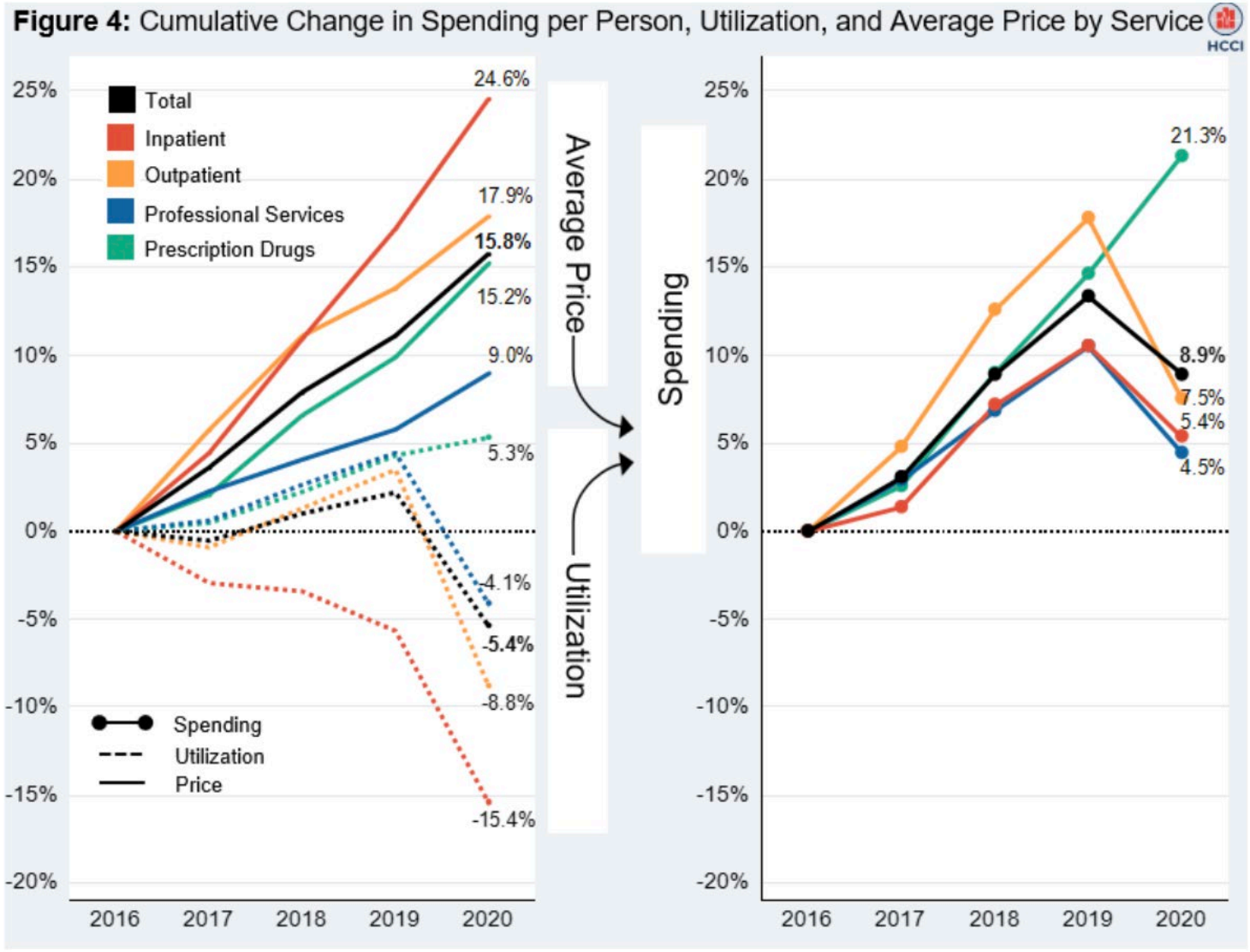
Employer's Forum of Indiana

Roslyn C Murray, PhD, MPP

February 14, 2025

Hospital prices are the main driver of rising health care spending in the US

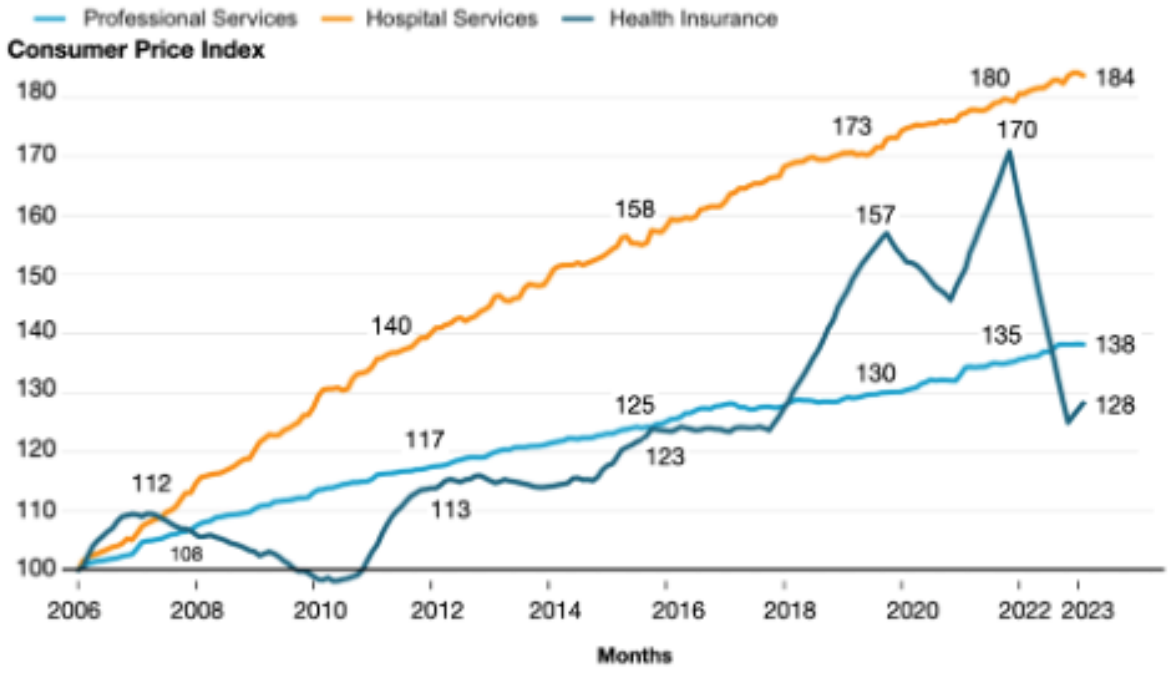
- Hospital prices paid by private insurers have increased faster than for other types of services
- Spending on hospital care accounted for **$1.5 trillion** in 2023



Sources: HCCI, 2022; CMS NHE Fact Sheet, 2024

In the commercial insurance market, hospitals leverage their market power to sustain high prices, a situation worsened by consolidation

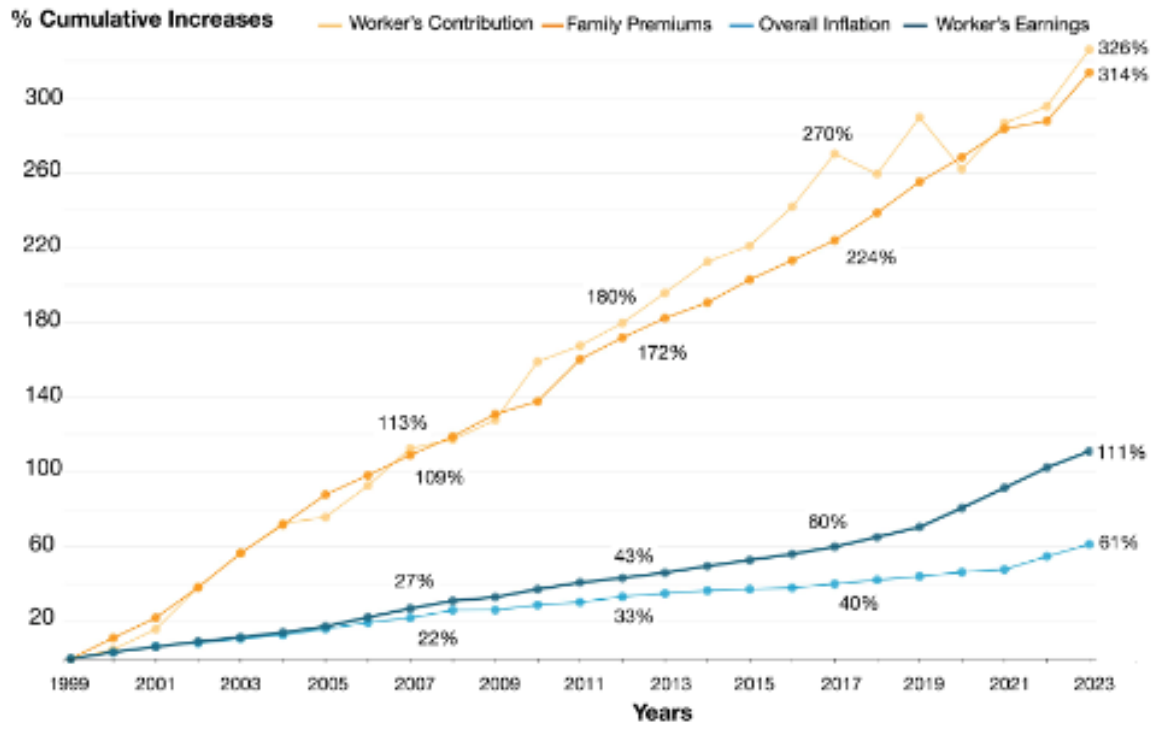
Figure 2. Consumer price index: medical care, by component 2006-2023. Authors' analysis using data from the BLS, ...



Health Affairs Scholar, Volume 2, Issue 6, June 2024, qxae078, https://doi.org/10.1093/haschl/qxae078

This growing cost burden is primarily felt by individuals and families through higher premiums, increased out-of-pocket spending, stagnant wages, and job losses

Figure 1. Cumulative increases (%) in workers' contribution, family premiums, overall inflation, and workers' earnings, ...



Health Affairs Scholar, Volume 2, Issue 6, June 2024, qxae078, https://doi.org/10.1093/haschl/qxae078

In the absence of strong action at the federal level, states have taken the lead in pioneering innovative policies to control hospital prices and spending

Price transparency

Promoting competition (e.g., stronger antitrust enforcement/oversight)

Price regulation

Sources: Liu JL et al. 2021; Congressional Budget Office, 2022

In the absence of strong action at the federal level, states have taken the lead in pioneering innovative policies to control hospital prices and spending

Price transparency

Promoting competition (e.g., stronger antitrust enforcement/oversight)

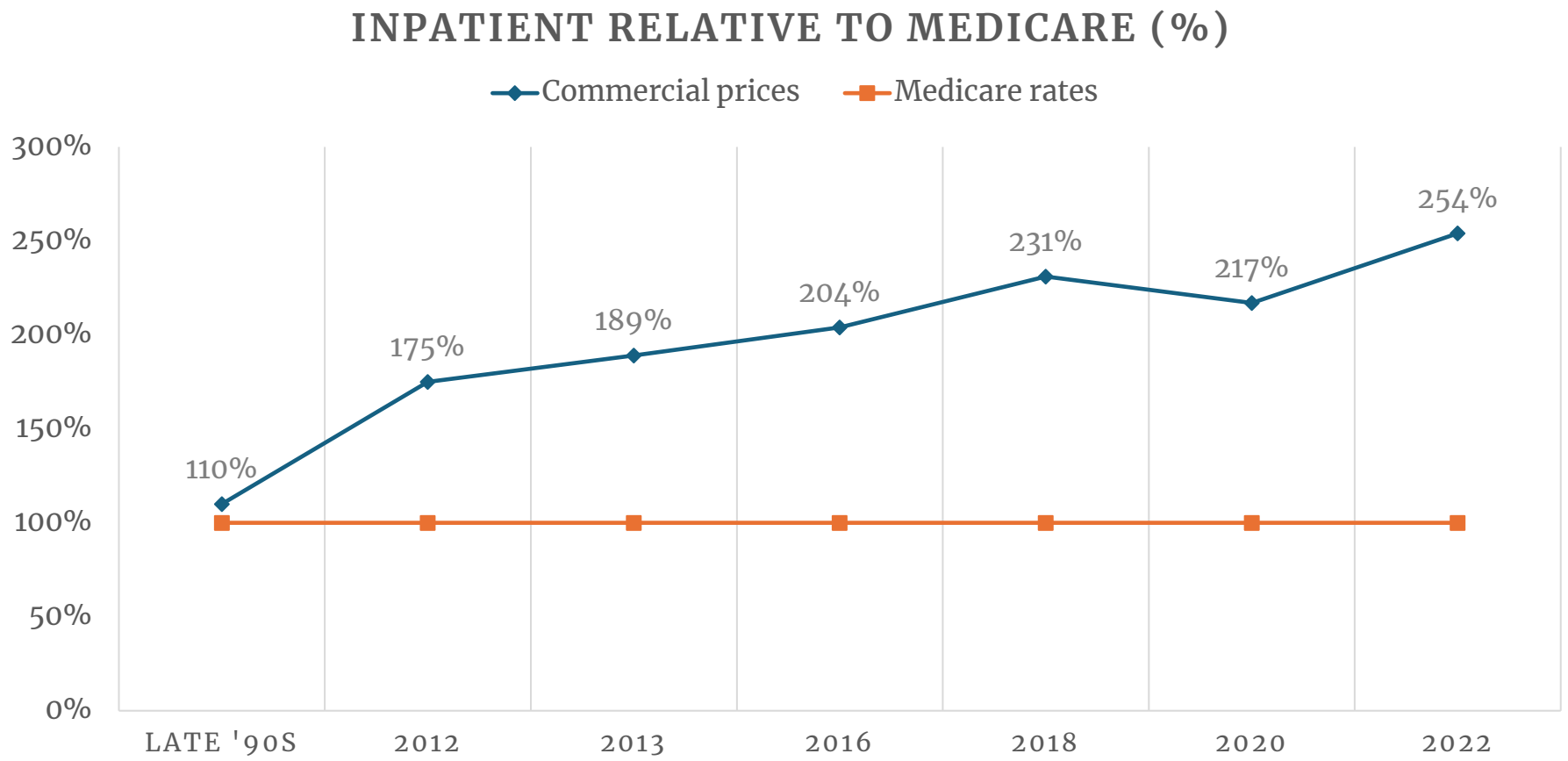
Price regulation

Modeling studies predict that **price regulation** will be most effective

Sources: Liu JL et al. 2021; Congressional Budget Office, 2022

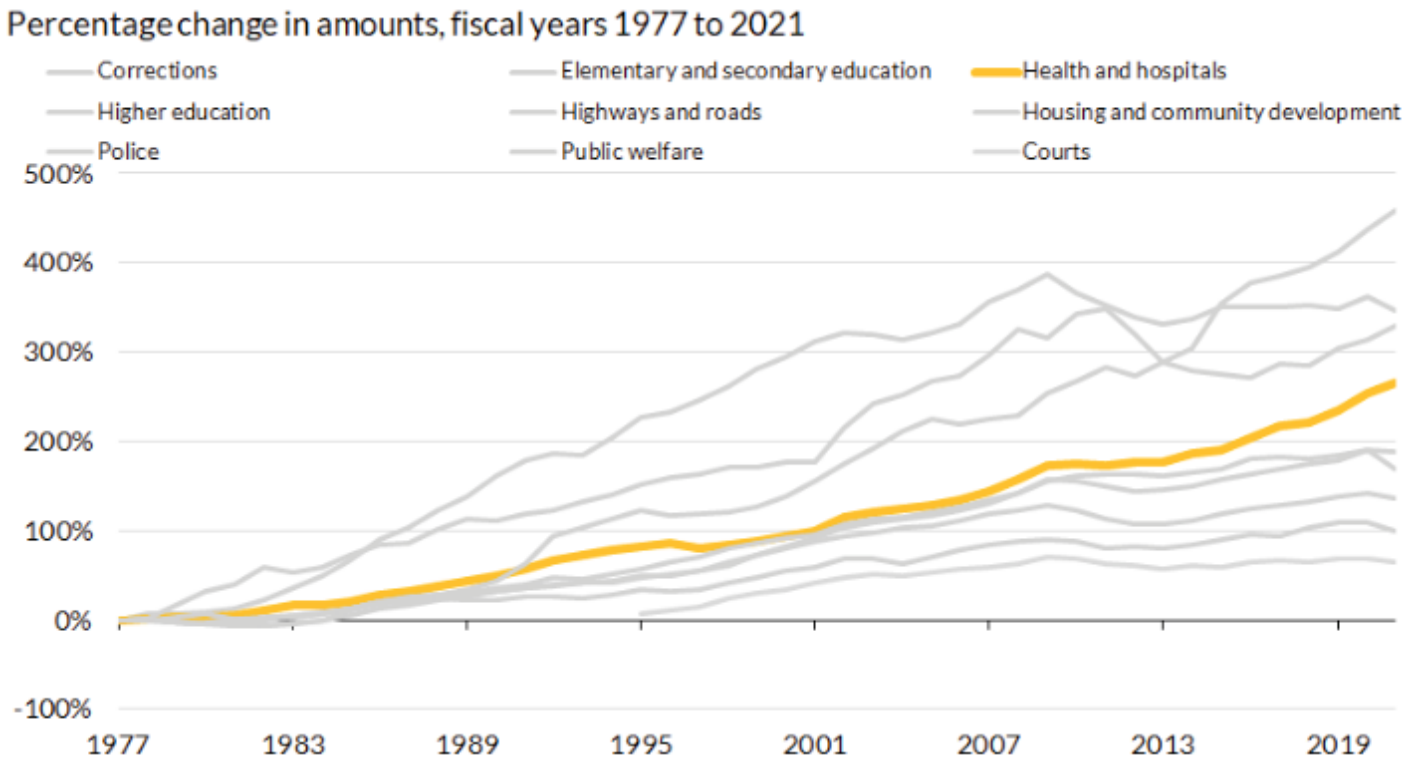
Oregon SEHP Hospital Payment Caps (SB1067)

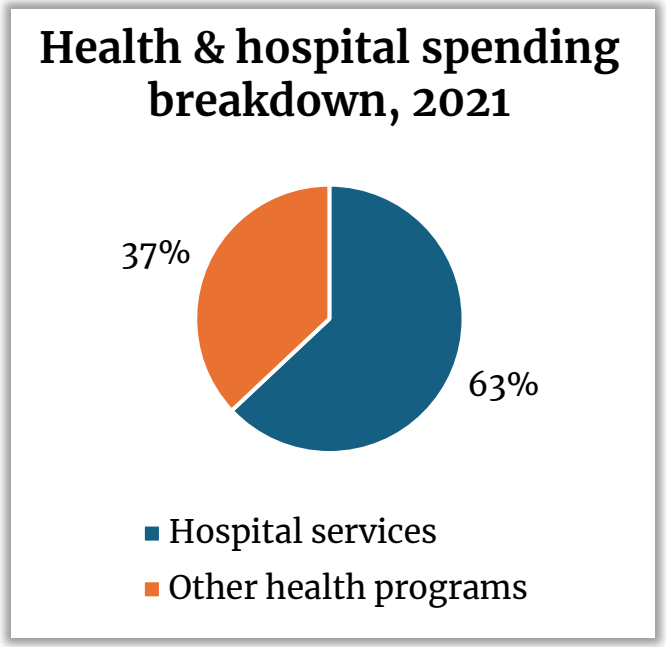
Commercial prices for hospital services have increasingly diverged from Medicare rates



Sources: Selden et al., 2015; Maeda & Nelson, 2017; White & Whaley, 2019; Whaley et al., 2020; Whaley et al. 2022, Whaley et al., 2024

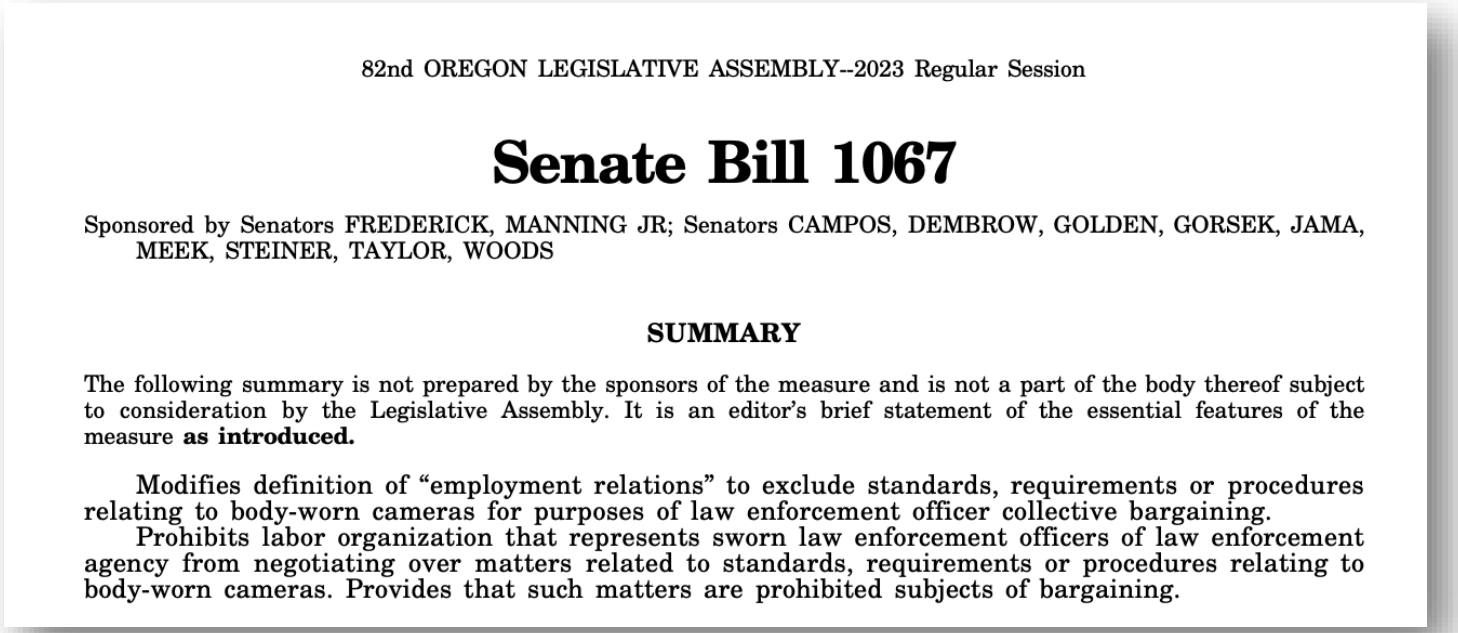
Rising prices increase premiums, which consume a growing share of state budgets





Source: Urban Institute

In 2017, Oregon introduced legislation **(SB1067)** to cap hospital facility prices for care provided to state employees and dependents



82nd OREGON LEGISLATIVE ASSEMBLY--2023 Regular Session

Senate Bill 1067

Sponsored by Senators FREDERICK, MANNING JR; Senators CAMPOS, DEMBROW, GOLDEN, GORSEK, JAMA, MEEK, STEINER, TAYLOR, WOODS

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced.**

Modifies definition of "employment relations" to exclude standards, requirements or procedures relating to body-worn cameras for purposes of law enforcement officer collective bargaining.

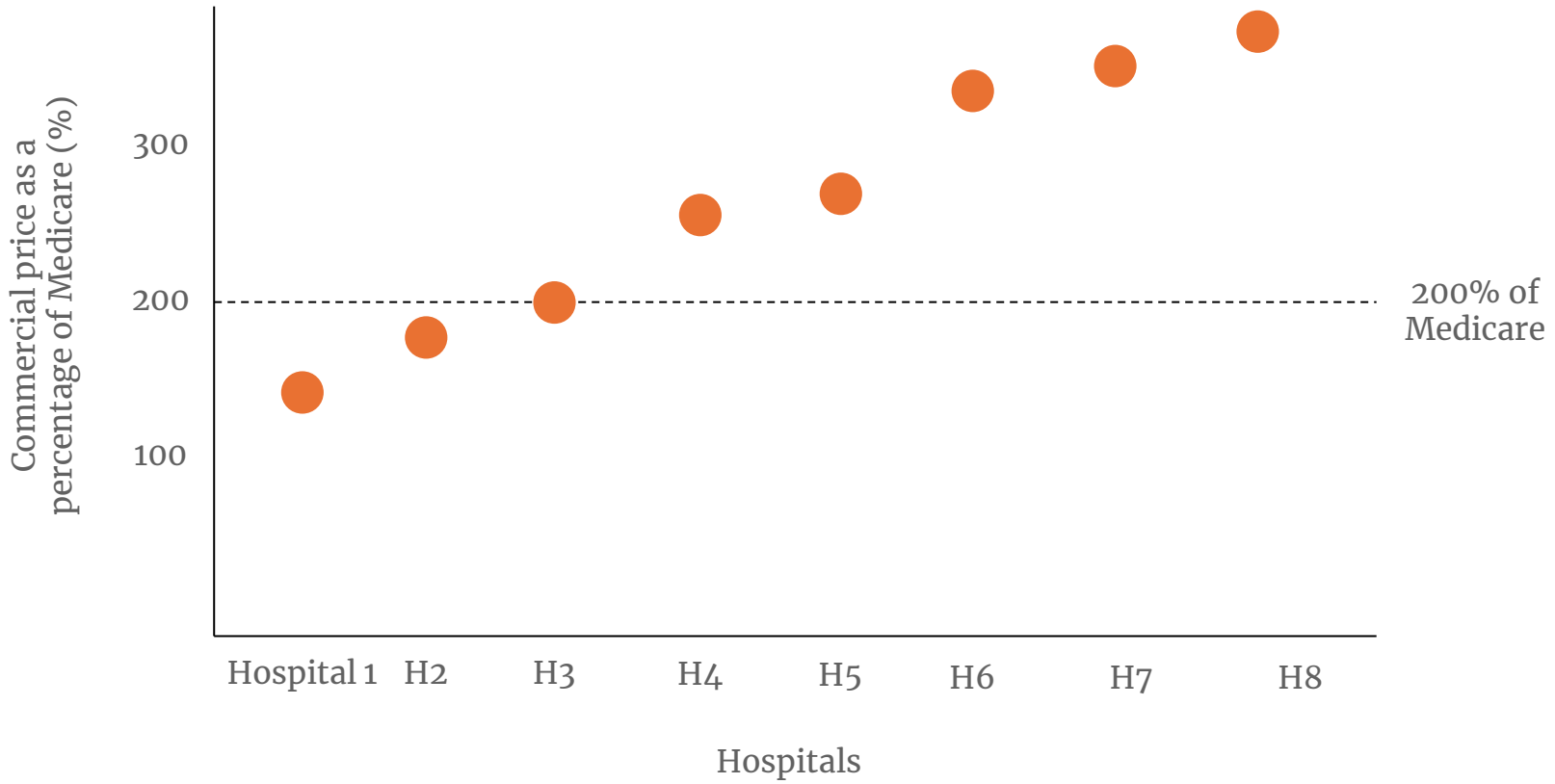
Prohibits labor organization that represents sworn law enforcement officers of law enforcement agency from negotiating over matters related to standards, requirements or procedures relating to body-worn cameras. Provides that such matters are prohibited subjects of bargaining.

Caps hospital facility prices at:

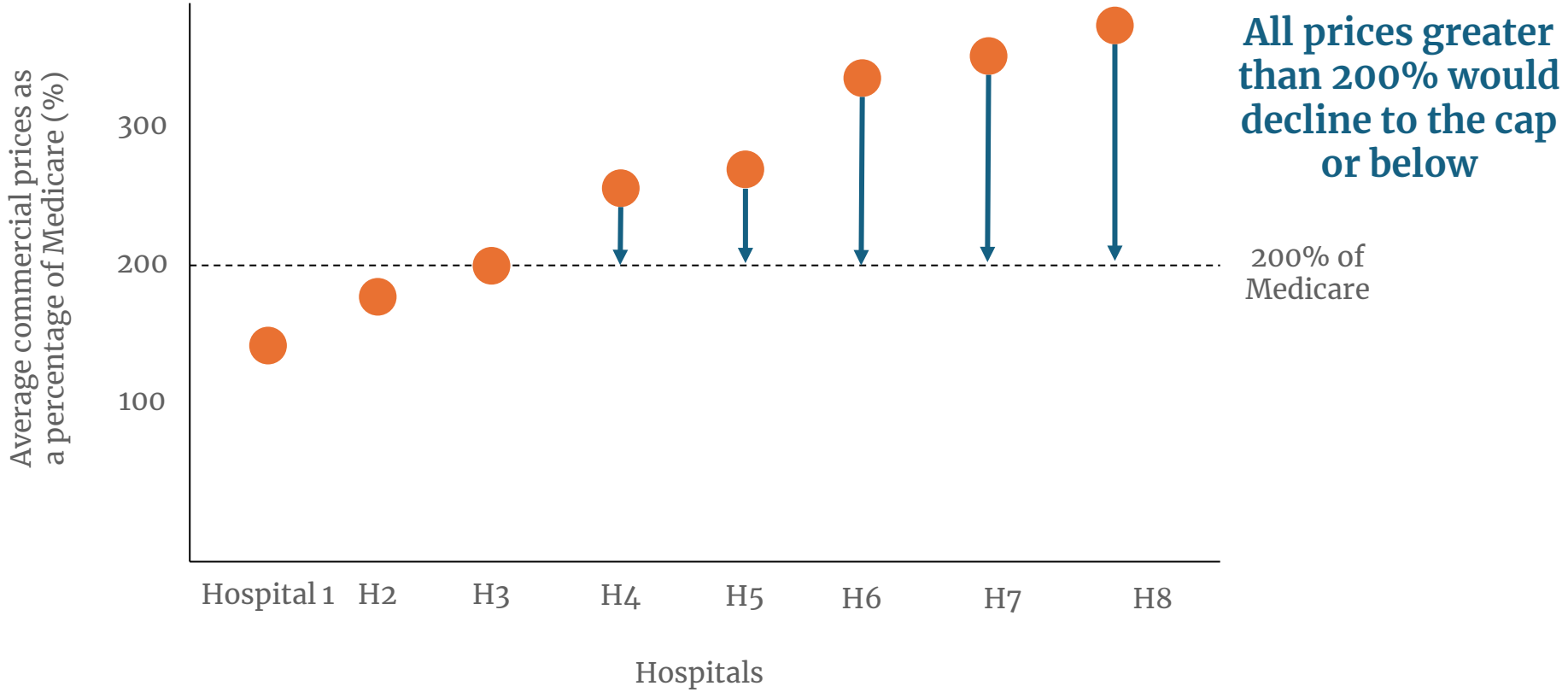
- **200% of Medicare** for in-network services
- **185% of Medicare** for out-of-network services

At 24 large, urban hospitals for care provided to state employees and dependents.

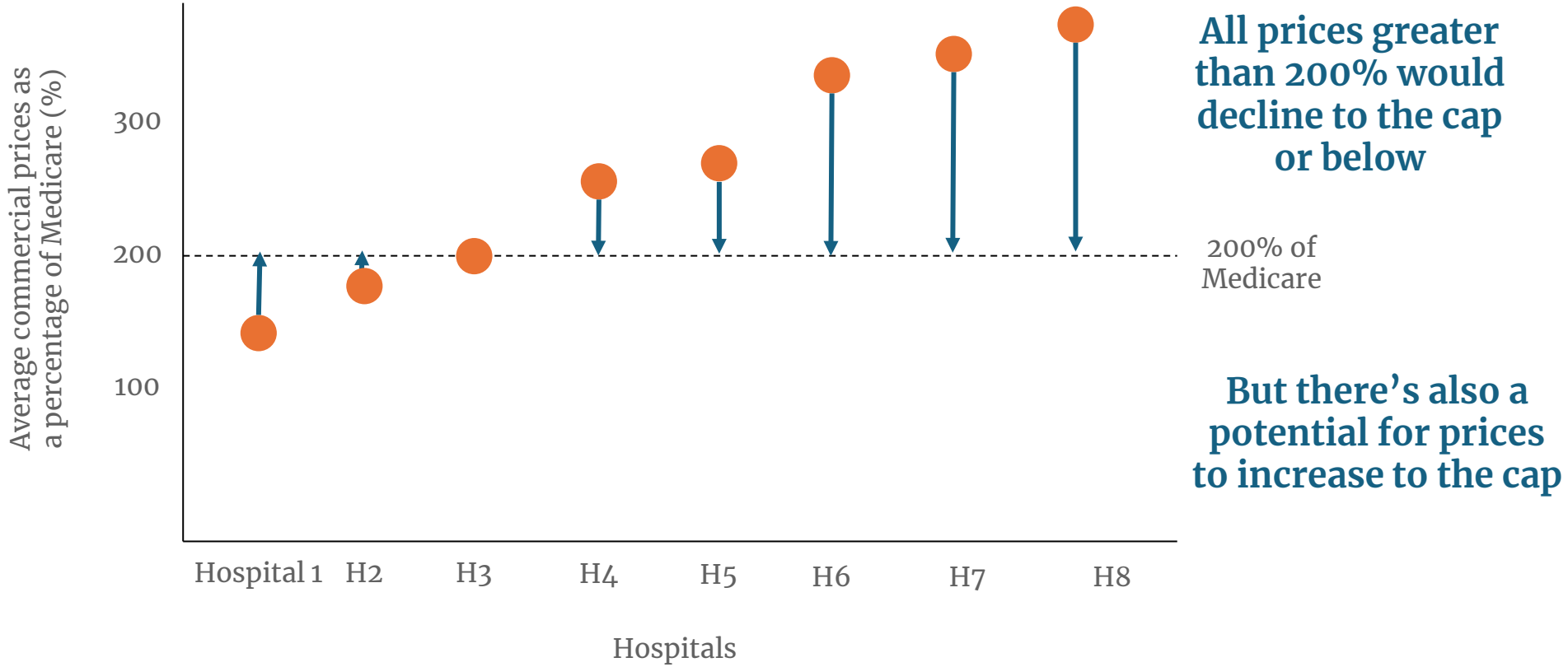
So presumably any hospitals with prices above the cap…



So presumably any hospitals with prices above the cap… will have to reduce their prices to comply with the legislation



So presumably any hospitals with prices above the cap… will have to reduce their prices to comply with the legislation



Earlier this year, colleagues and I evaluated Oregon's policy and found promising results

HOSPITALS

By Roslyn C. Murray, Zach Y. Brown, Sarah Miller, Edward C. Norton, and Andrew M. Ryan

Hospital Facility Prices Declined As A Result Of Oregon's Hospital Payment Cap

JAMA Health Forum

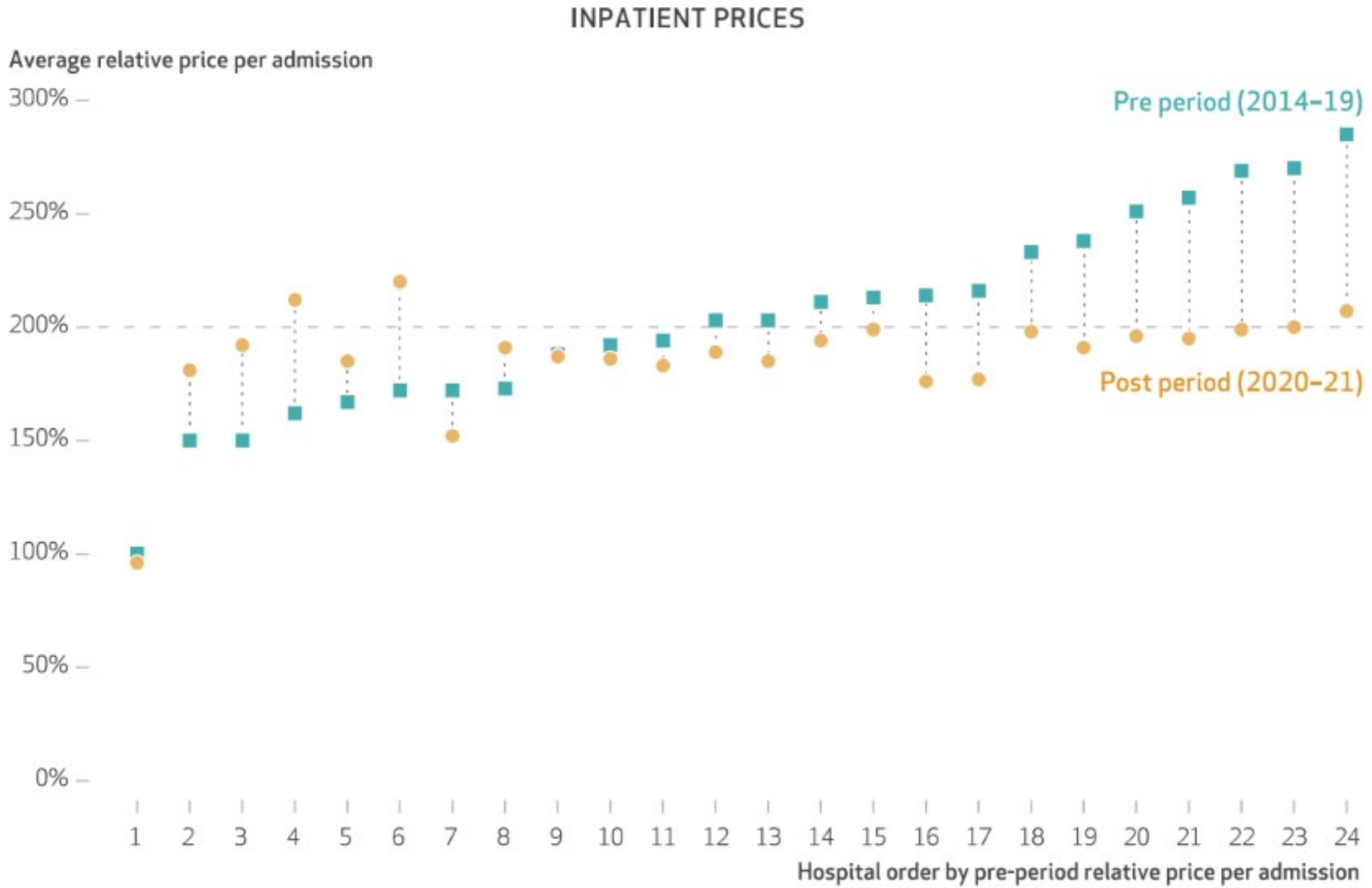
Original Investigation

Oregon's Hospital Payment Cap and Enrollee Out-of-Pocket Spending and Service Use

Preview of Findings:

- Inpatient facility prices declined by 3%
- Outpatient facility prices declined by 25%
- Outpatient out-of-pocket spending declined by 9.5%
- The plan saved over $100 million in the first 2 years
- Members saved almost $2 million in outpatient out-of-pocket expenditures over the same period

Source: Murray et al., 2024; Murray, Norton, Ryan, 2024

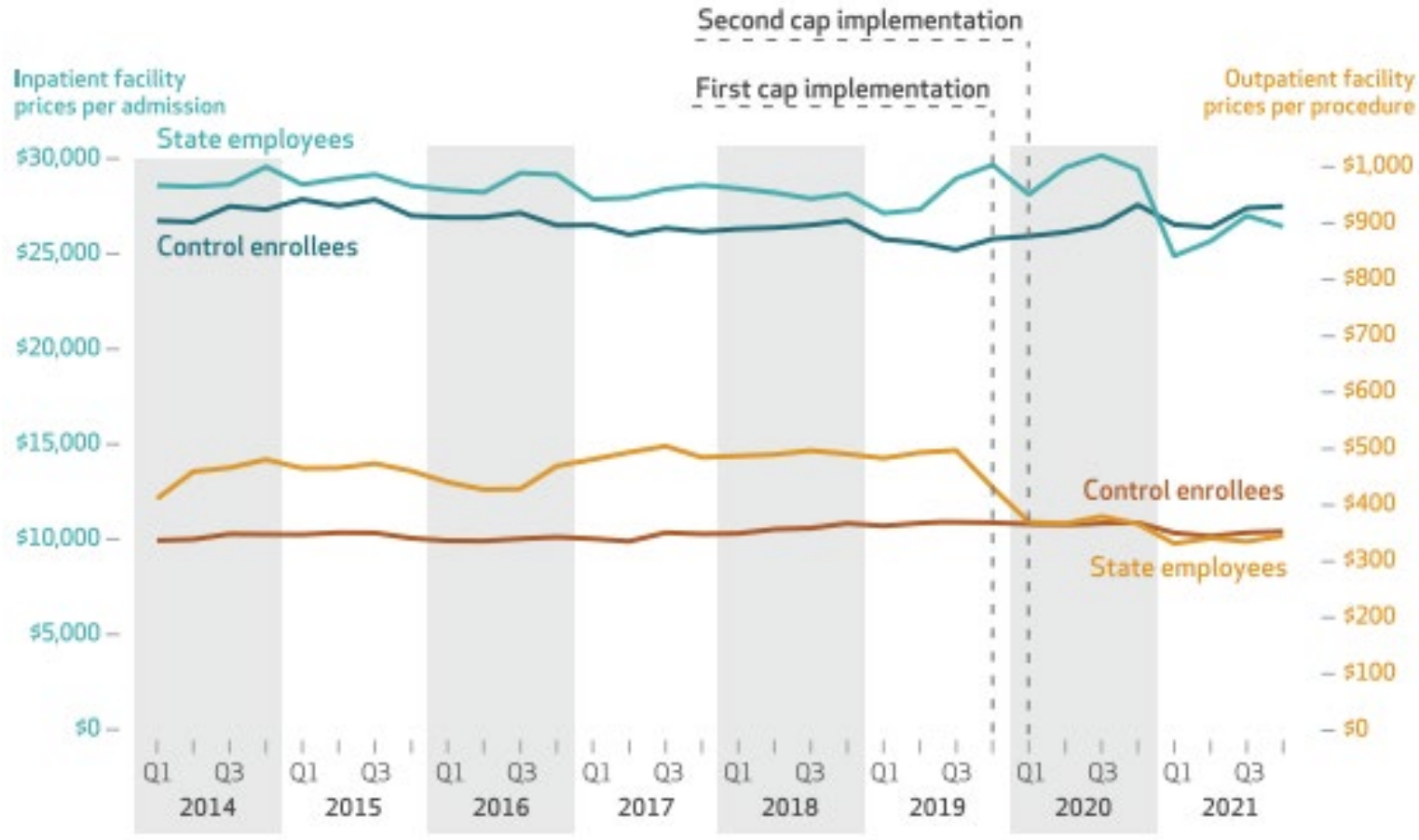


Source: Murray et al., 2024

Source: Murray et al., 2024

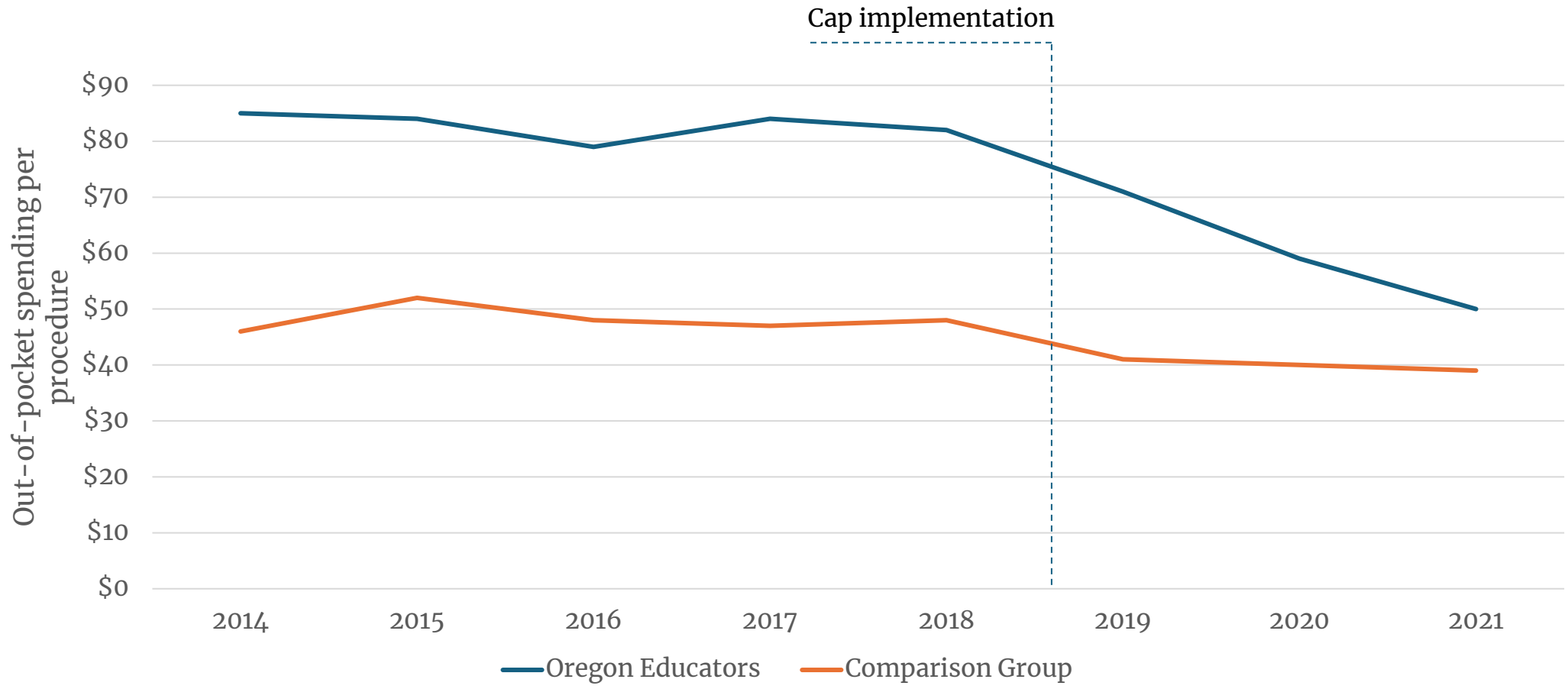
Our evaluation found that, after implementation, inpatient prices declined 3% and outpatient prices declined 25%

Average hospital facility prices per admission (inpatient) or procedure (outpatient) for Oregon state employee plan enrollees versus control enrollees, by quarter, 2014–21



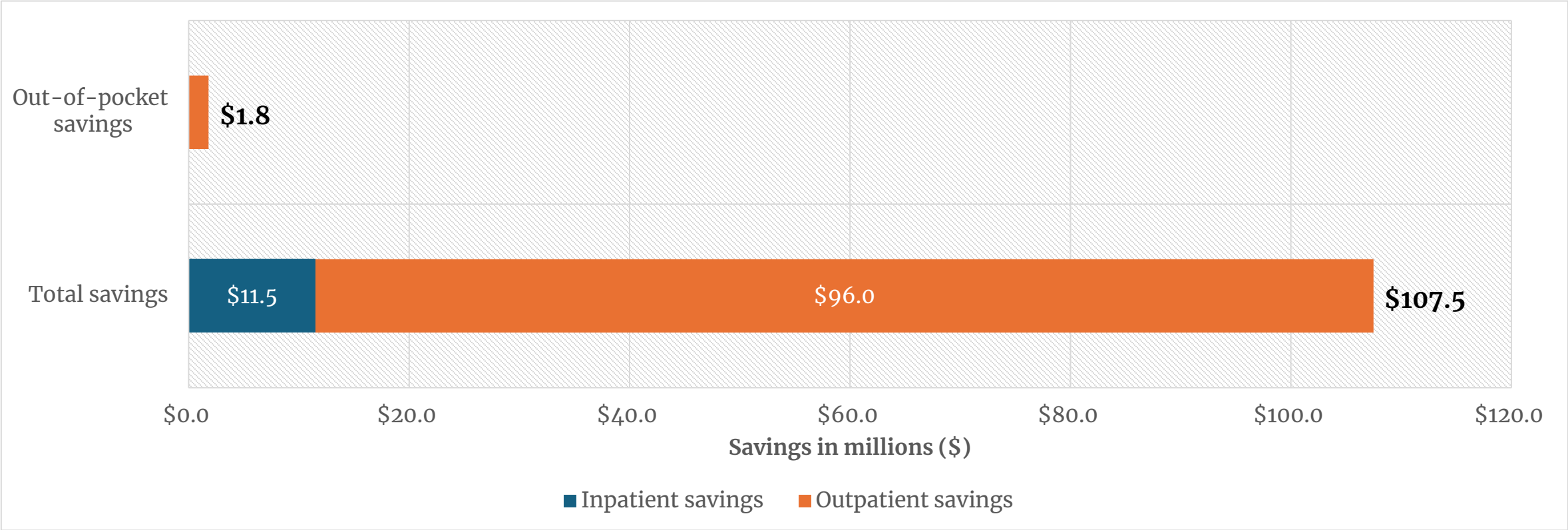
Source: Murray et al., 2024

Outpatient out-of-pocket spending declined by 9.5%



Source: Murray, Norton, & Ryan, 2024

Oregon's payment cap generated **over $100 million** in savings in the first two years and three months



Sources: Murray et al., 2024
Murray, Norton, & Ryan, 2024

Preliminary research suggests that the cap has had minimal impacts on hospitals' ability to operate or patient experience

Anecdotally, all hospitals have remained in-network and none have had to close

Our research found:

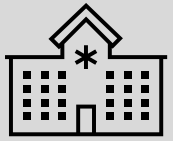
- no evidence of "cost-shifting," consistent with the broader literature
- and early evidence that hospital margins have remained strong, and patient experience of care has remained unchanged.

	Pre-Period (2014-2019)		Post-Period (2020-2022)	
	Oregon	Washington	Oregon	Washington
Hospital-years, n	110	205	66	123
Unique hospitals	22	41	22	41
Operating margins related to patient care, %	19.8	18.1	12.7	13.7
	(9.9)	(9.6)	(10.8)	(13.2)
Commercial margins, %	54.6	48.7	47.8	46.6
	(9.2)	(13.6)	(11.3)	(14.3)
Patients rating the hospital 9 or 10 out of 10, %	73.1	70.0	71.9	67.6
	(4.9)	(6.6)	(5.8)	(6.5)
Patients would definitely recommend the hospital, %	74.9	71.9	74.3	68.9
	(6.3)	(7.4)	(7.1)	(7.6)

New York Fair Pricing Act (S705/A2140)

Medicare and commercial plans have long paid higher rates for services delivered in hospitals than those delivered in doctors' offices

Average Commercial Price for a New Patient Office Visit in New York State



Total payment = $436.11

- $73.84 for the physician's time and effort
- $362.27 for the operational costs of the facility

Total payment = $88.39

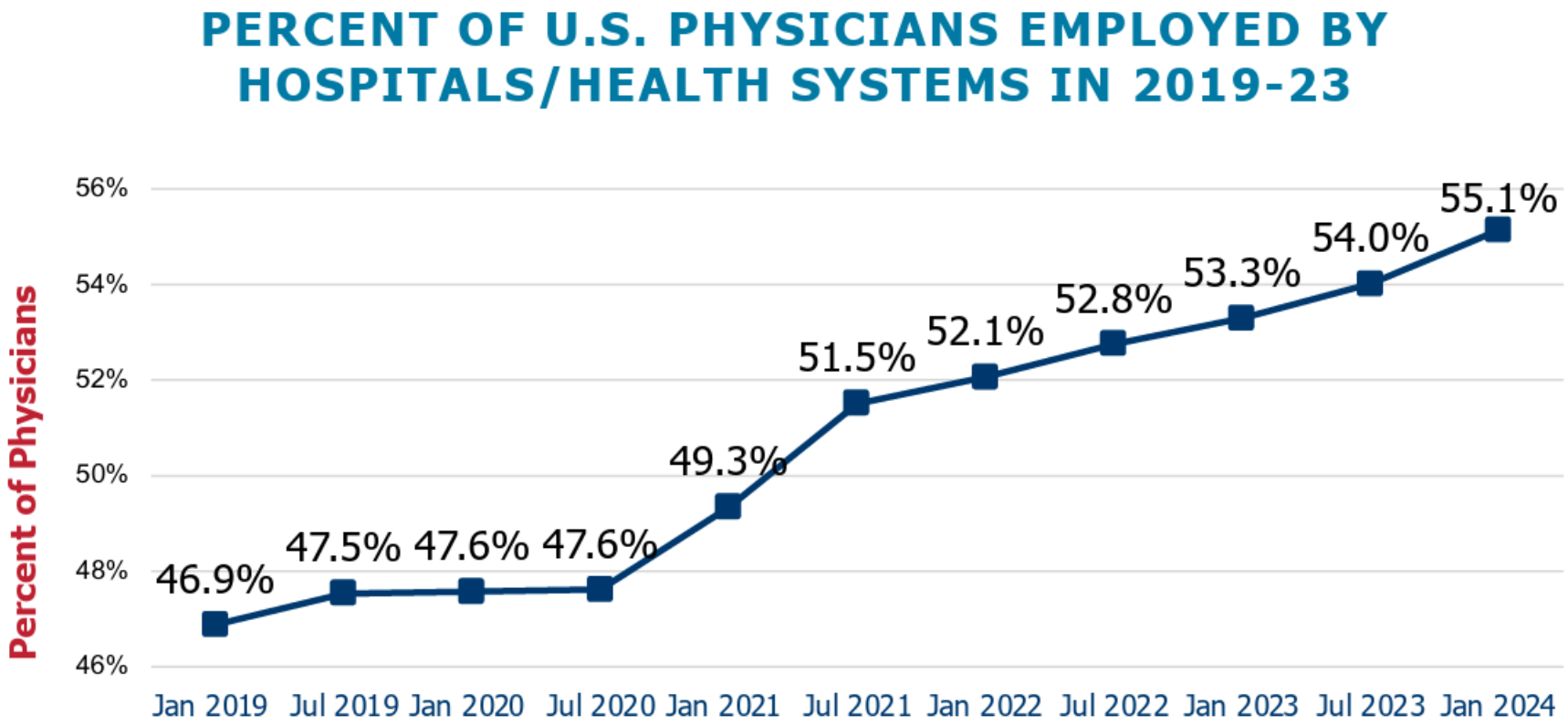
- $88.39 for the physician's time and effort, and the operational costs of the physician's practice

The price for a new patient office visit in the hospital is **nearly 5X** the price in the doctor's office

Current Procedural Terminology Code 99202

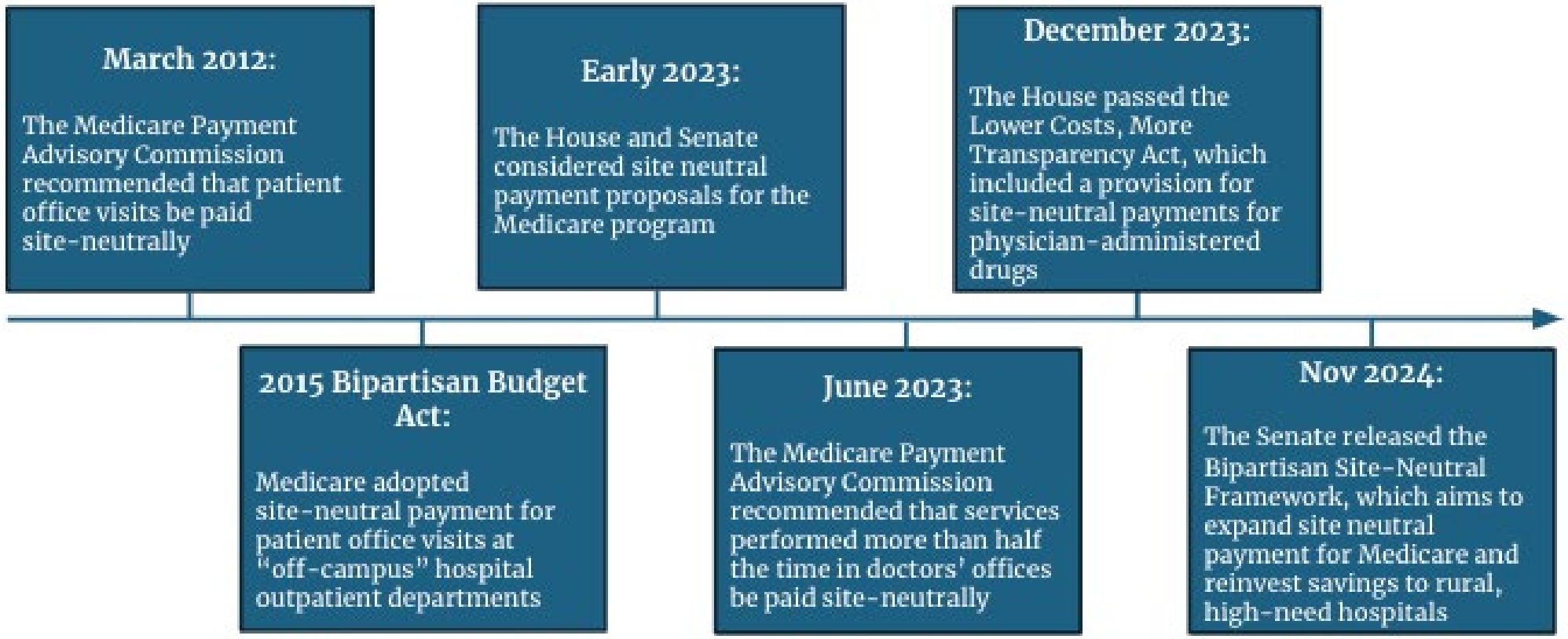
Source: Murray, Janjua, & Whaley, 2025

These site-of-care differentials drive vertical integration, which increases prices

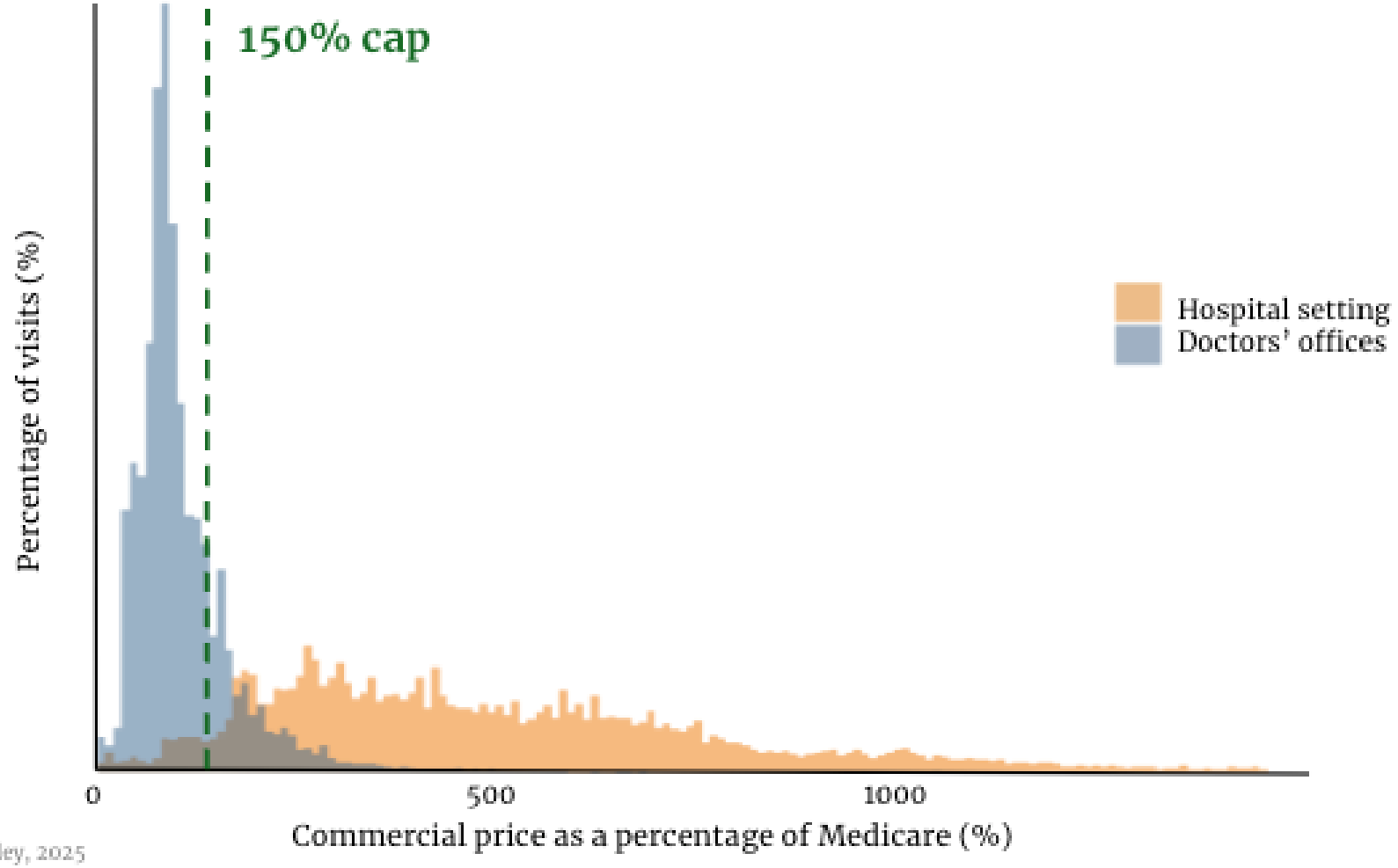


Source: Avalere Health, 2024

Site neutral payment policies have focused on addressing site-of-care payment differentials for routine services in Medicare

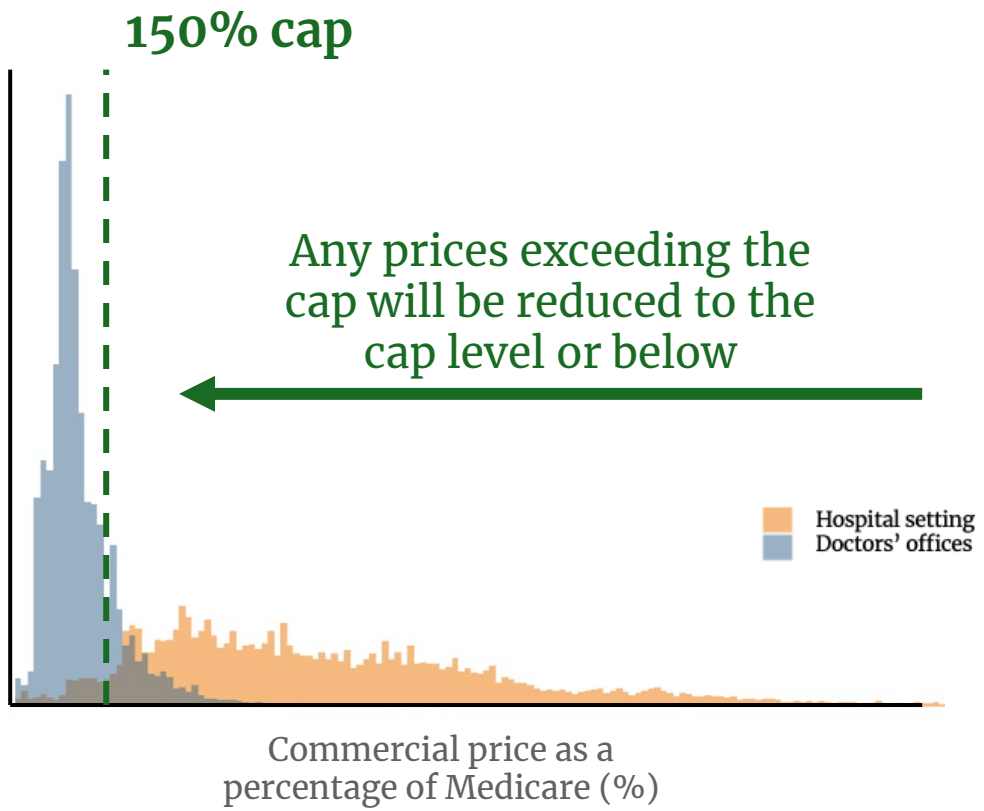


This legislative session, New York introduced first-of-its-kind site neutral legislation for the commercial market: **The Fair Pricing Act (S705/A2140)**



Source: Murray, Janjua, & Whaley, 2025

Price caps, referencing Medicare payments, have been a prominent state policy approach to target outlier prices



Source: Murray, Janjua, & Whaley, 2025

1) Price caps vs. averages:

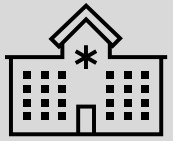
Caps focus on curbing the highest, most egregious prices while allowing insurers and providers to negotiate for prices below the cap

2) Referencing Medicare vs. commercial rates:

Medicare rates reflect the underlying costs of care and do not incorporate the bargaining leverage of insurers and providers, making them an impartial benchmark

On average, Medicare pays just **$80.80** for new patient office visits in doctors' offices in New York

Average Commercial Price for a New Patient Office Visit in New York State



Total payment = $436.11

- $73.84 for the physician's time and effort
- $362.27 for the operational costs of the facility

Total payment = $88.39

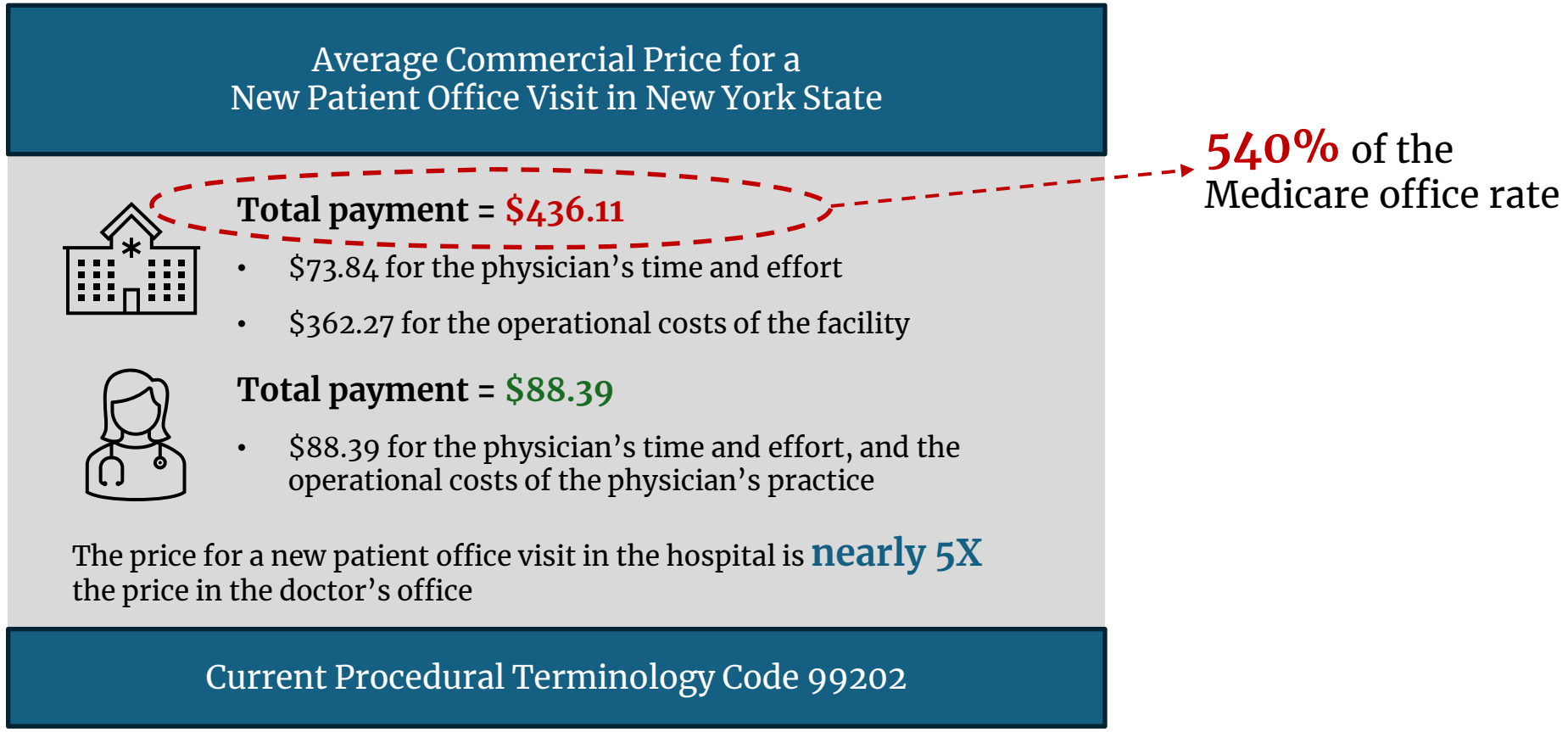
- $88.39 for the physician's time and effort, and the operational costs of the physician's practice

The price for a new patient office visit in the hospital is **nearly 5X** the price in the doctor's office

Current Procedural Terminology Code 99202

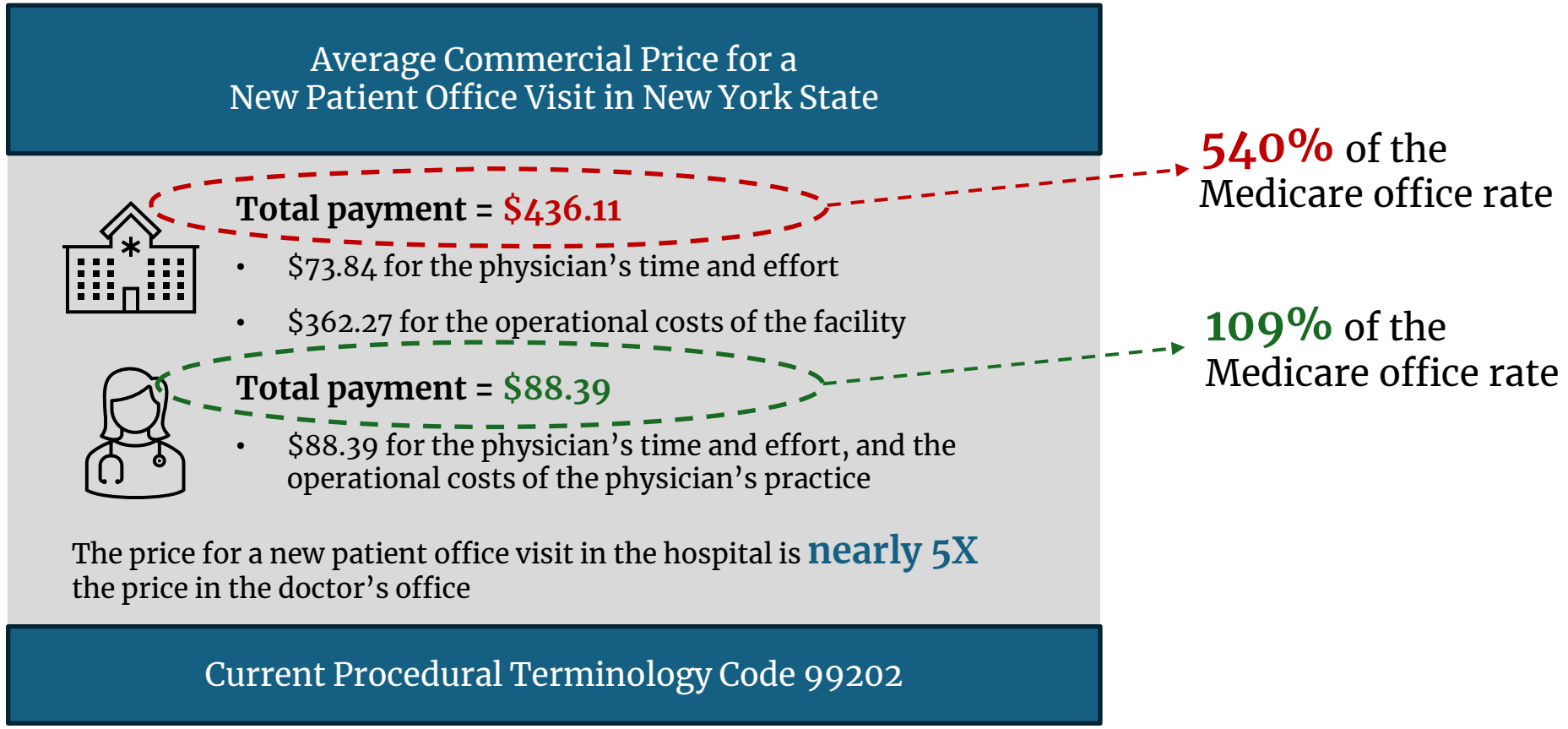
Source: Murray, Janjua, & Whaley, 2025

On average, Medicare pays just **$80.80** for new patient office visits in doctors' offices in New York



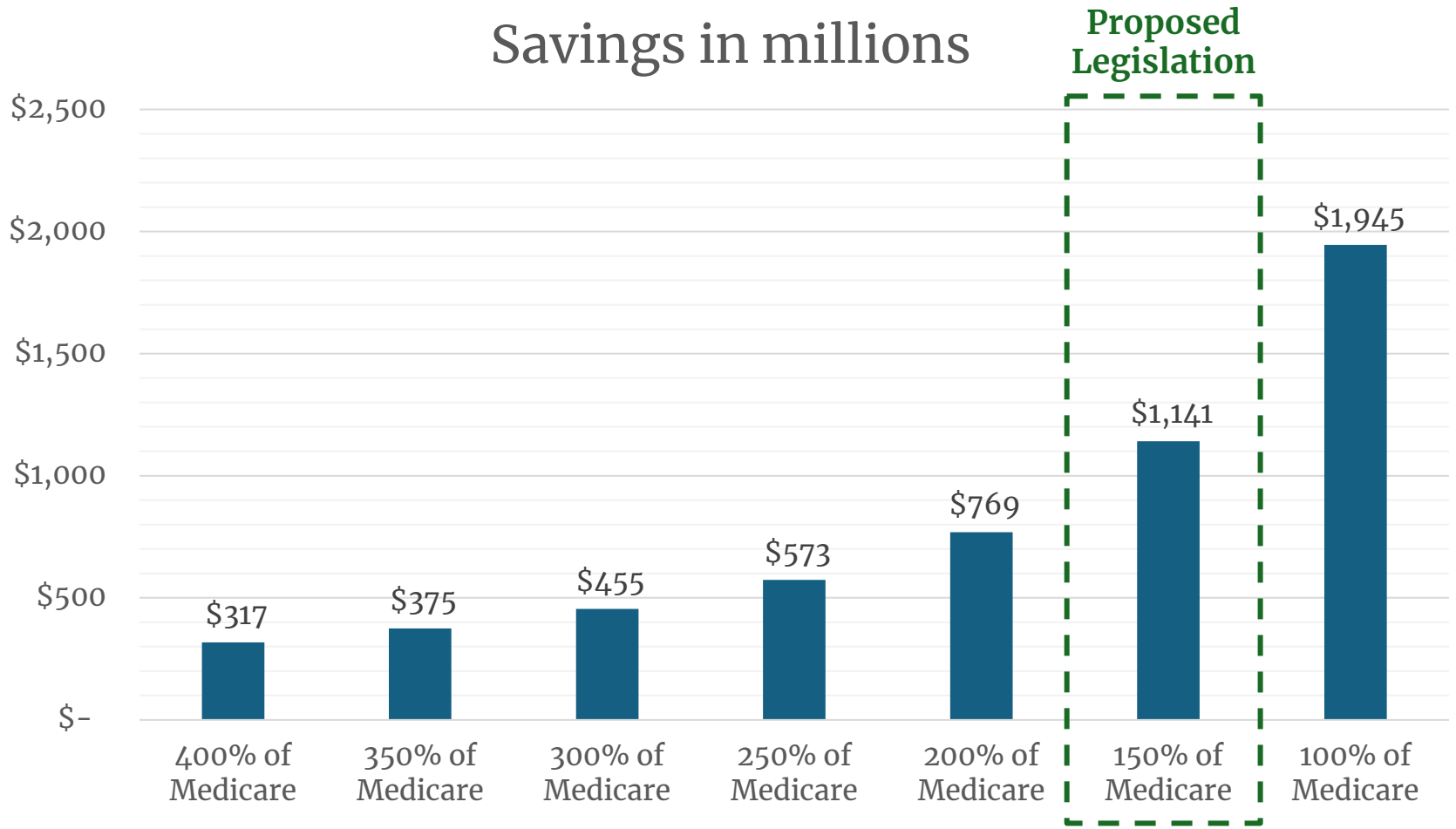
Source: Murray, Janjua, & Whaley, 2025

On average, Medicare pays just **$80.80** for new patient office visits in doctors' offices in New York



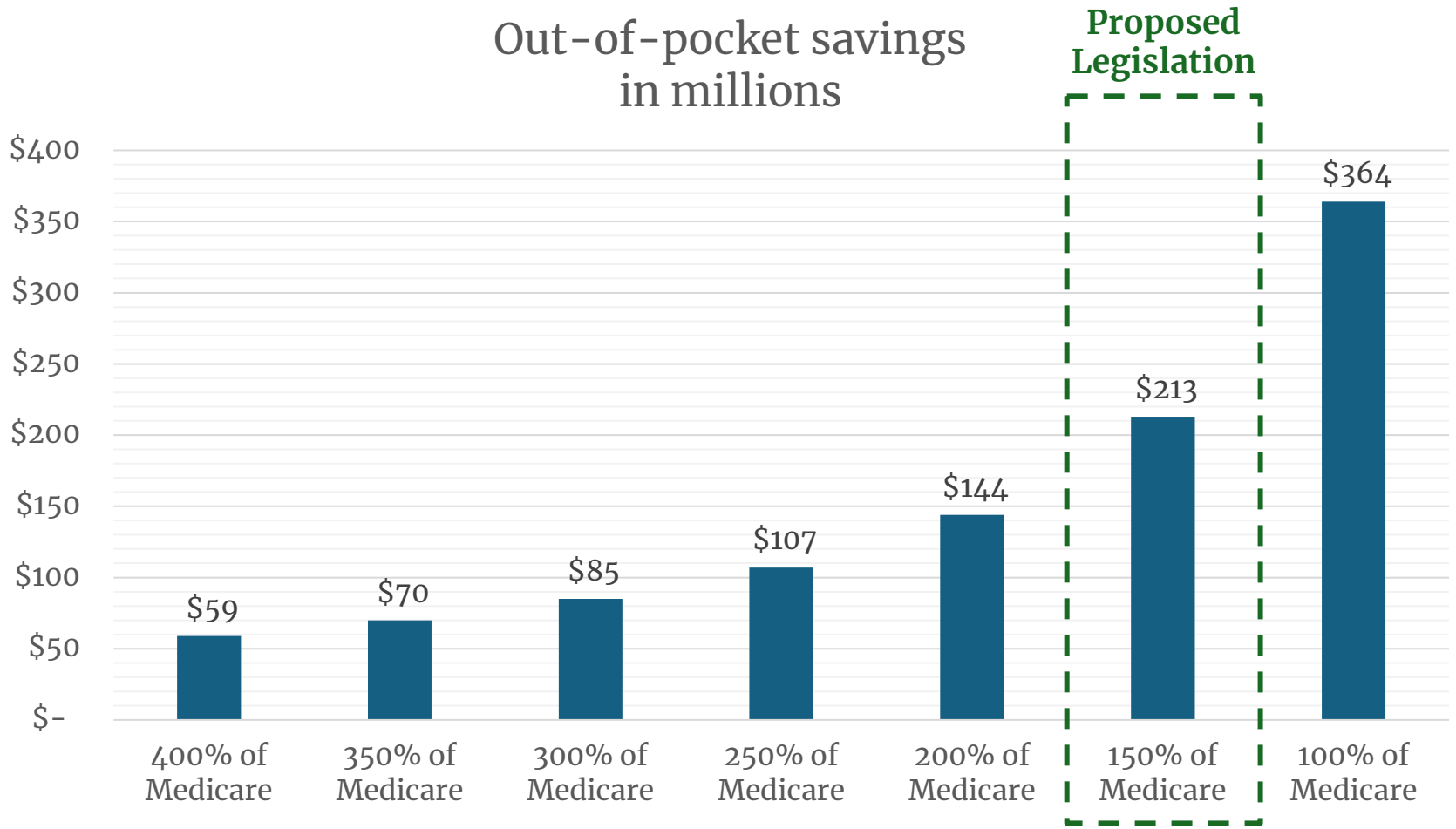
Source: Murray, Janjua, & Whaley, 2025

The **Fair Pricing Act**, if applied to all settings and facilities in New York, could save New Yorkers **$1.14 billion annually**



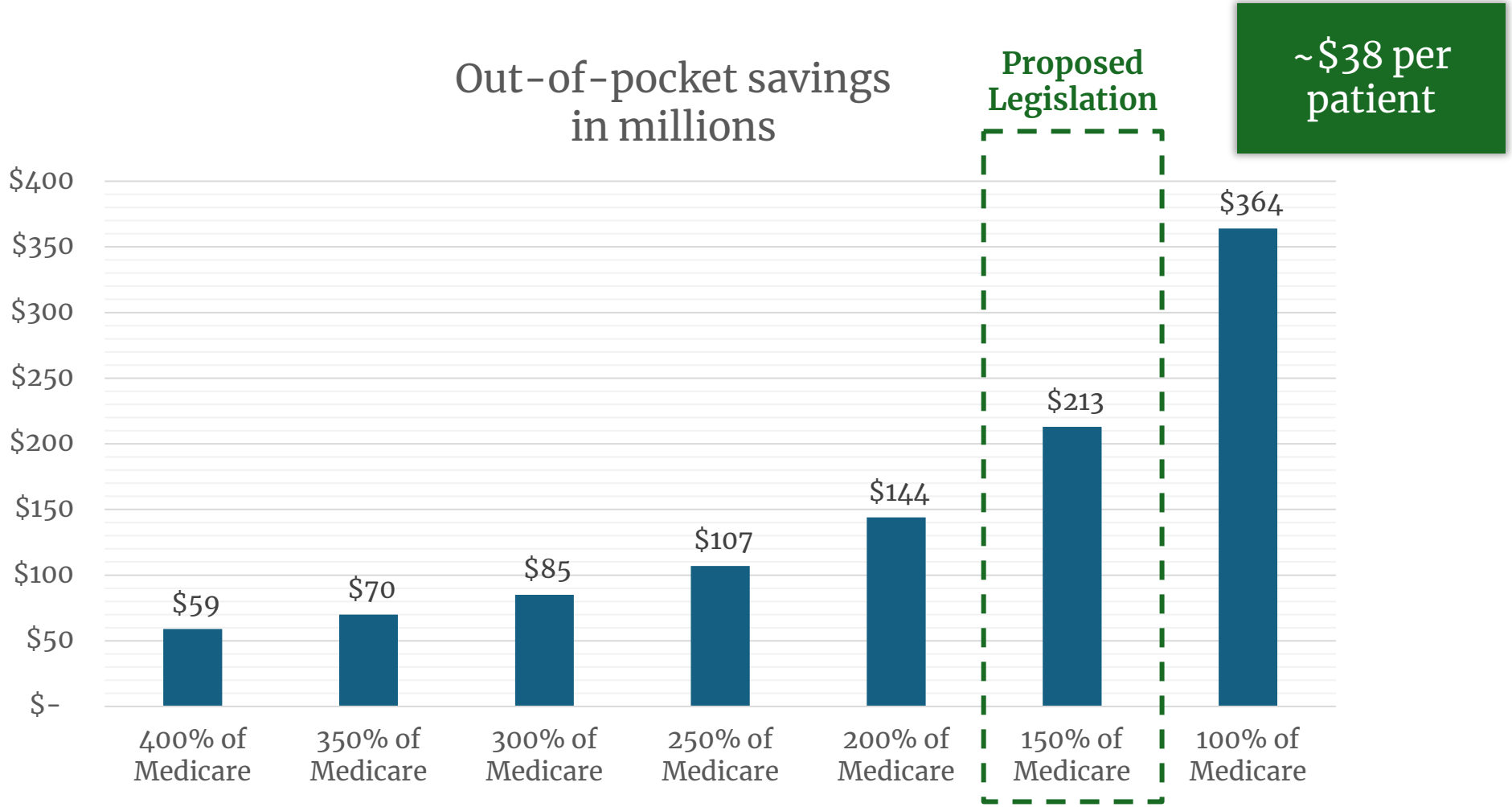
Source: Murray, Janjua, & Whaley, 2025

Under the **Fair Pricing Act**, patients could save up to **$213 million** in out-of-pocket expenses for routine services



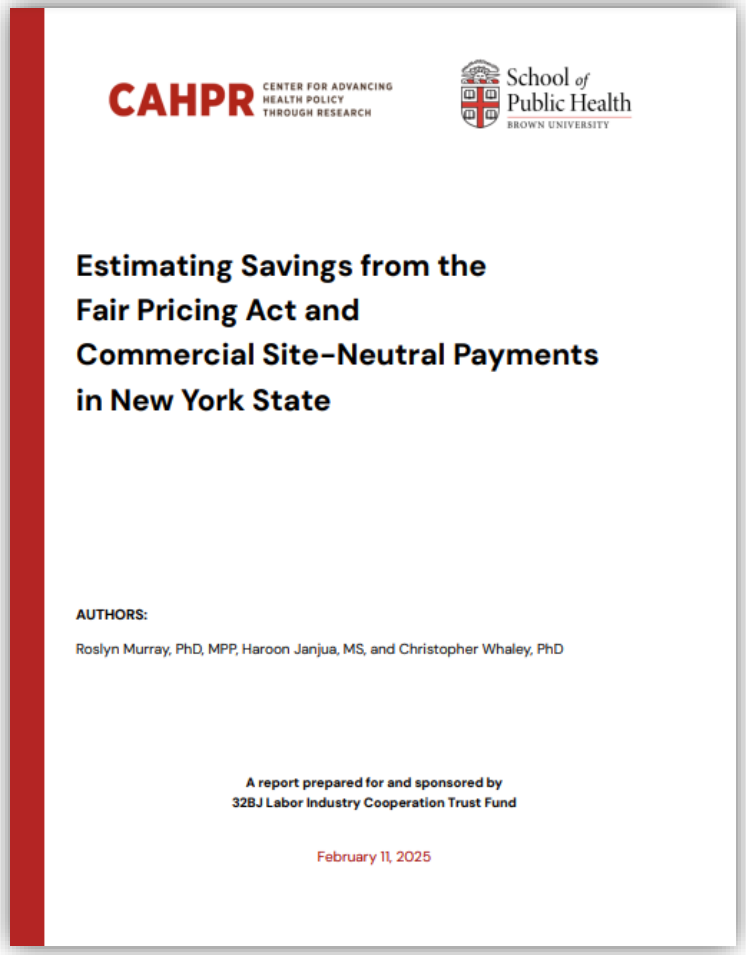
Source: Murray, Janjua, & Whaley, 2025

Under the **Fair Pricing Act**, patients could save up to **$213 million** in out-of-pocket expenses for routine services



Source: Murray, Janjua, & Whaley, 2025

Summary


CAHPR CENTER FOR ADVANCING HEALTH POLICY THROUGH RESEARCH

School of Public Health BROWN UNIVERSITY

Estimating Savings from the Fair Pricing Act and Commercial Site-Neutral Payments in New York State

AUTHORS:

Roslyn Murray, PhD, MPP, Haroon Janjua, MS, and Christopher Whaley, PhD

A report prepared for and sponsored by
32BJ Labor Industry Cooperation Trust Fund

February 11, 2025

- Prices for routine services are much higher in hospital settings.
- The Fair Pricing Act could save New Yorkers **$1.14 billion annually**.
- Patients could save up to **$213 million** in out-of-pocket expenses.
- Even with higher caps (200%–400% of Medicare), significant savings could still be achieved.

Savings Estimates for Indiana

Relevant Indiana Bills

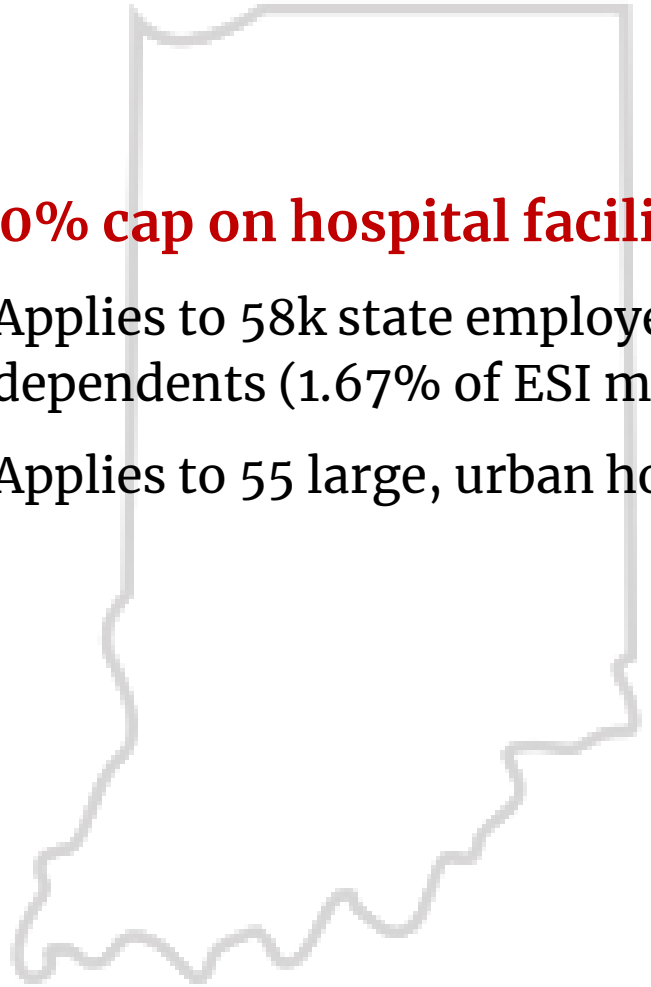
1) State Employee Health Plan Payment Caps (**HB1502**)
2) Commercial Payment Caps for Top 5 Health Systems (**HB1004**)
3) Site-Neutral Payment (**HB1003/SB370**)

Data Sources

Data sources	Main variables
Employer Hospital Price Transparency Study, Round 5 (2022)*	Number of outpatient services
	Number of inpatient stays
	Commercial price relative to Medicare payment per outpatient facility service (%)
	Commercial price relative to Medicare payment per inpatient facility stay (%)
	Average commercial facility price per outpatient service ($)
	Average commercial facility price per inpatient stay ($)
National Academy for State Health Policy Hospital Cost Tool (2022)**	Commercial hospital operating profit ($)
	Commercial net patient revenue ($)
	Commercial hospital operating profit margin (%)
Center on Health Insurance Reforms' 2022 State Employee Health Plan Survey***	State employees as a share of employer-sponsored insurance population (%)

Source: Murray, Whaley, Fuse Brown, Ryan, 2024

SEHP Hospital Payment Caps (HB1502):
Indiana could have saved $83 million in 2022



200% cap on hospital facility prices

- Applies to 58k state employees and dependents (1.67% of ESI market)
- Applies to 55 large, urban hospitals

Relative prices and estimated savings from the 10 hospitals with the highest savings

Hospital	Inpatient Facility Relative Prices	Outpatient Facility Relative Prices	Savings in mill
Indiana University Health	340%	393%	$14.62
Parkview Hospital	347%	521%	$8.37
Ascension St. Vincent Hospital	308%	434%	$5.58
Community Health Network Inc.	274%	437%	$4.18
Ascension St. Vincent Evansville	343%	515%	$3.48
Deaconess Hospital	302%	294%	$3.30
Franciscan Health Indianapolis	322%	353%	$3.20
IU Health Bloomington Hospital	374%	484%	$2.54
Community Hospital of Indiana Inc.	349%	366%	$2.33
Hendricks Regional Health	237%	427%	$2.10

Source: Murray, Whaley, Fuse Brown, Ryan, 2024

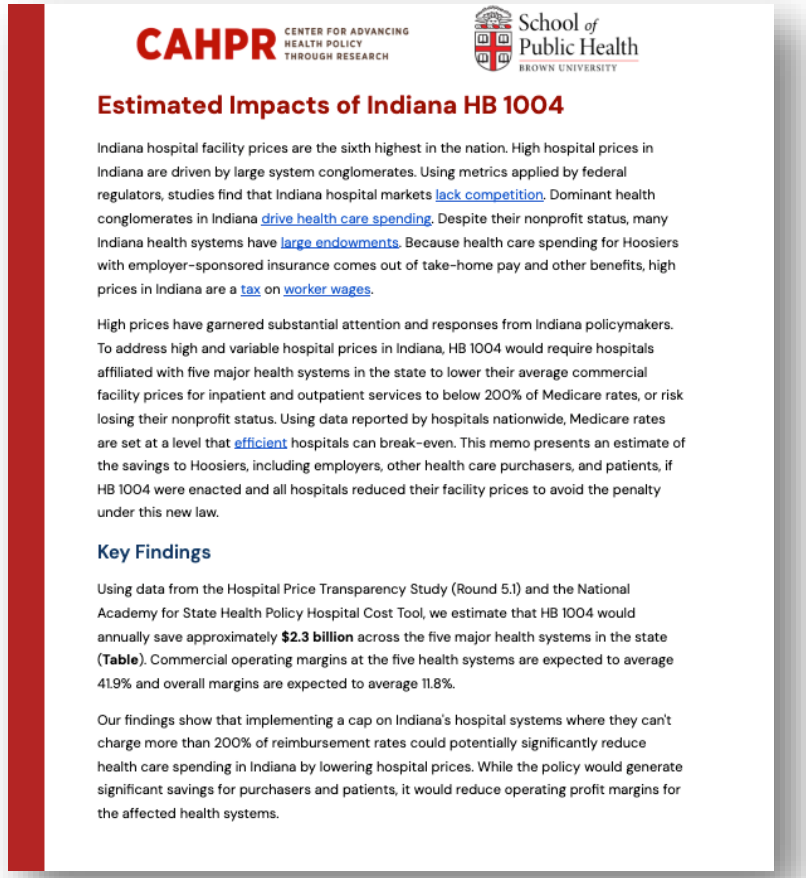
Hospital Payment Caps (HB1004):
Indiana could have saved $2.3 billion in 2022

Under HB1004, hospitals affiliated with the five largest health systems in the state would lose their non-profit status if hospital prices exceed 200% of Medicare

Estimated savings to Indiana purchasers and patients by health system

Health System	Number of affiliated hospitals	Average inpatient facility relative prices, %	Average outpatient facility relative prices, %	Savings to Indiana purchasers & patients in millions, $	Current commercial operating profit margin, %	Commercial operating profit margin under HB1004, %
Ascension Health	15	304.3	425.0	339.1	58.6	49.6
Community Health Network	5	328.5	392.7	366.4	59.8	45.6
Franciscan Health	9	301.0	334.2	327.8	58.8	45.7
Indiana University Health	11	349.6	372.2	878.1	49.7	33.5
Parkview Health System	7	328.7	448.4	351.6	52.6	35.1
TOTAL	**47**	--	--	**2,263.1**	--	--

Source: Murray & Whaley, 2025



CAHPR CENTER FOR ADVANCING HEALTH POLICY THROUGH RESEARCH

School of Public Health BROWN UNIVERSITY

Estimated Impacts of Indiana HB 1004

Indiana hospital facility prices are the sixth highest in the nation. High hospital prices in Indiana are driven by large system conglomerates. Using metrics applied by federal regulators, studies find that Indiana hospital markets lack competition. Dominant health conglomerates in Indiana drive health care spending. Despite their nonprofit status, many Indiana health systems have large endowments. Because health care spending for Hoosiers with employer-sponsored insurance comes out of take-home pay and other benefits, high prices in Indiana are a tax on worker wages.

High prices have garnered substantial attention and responses from Indiana policymakers. To address high and variable hospital prices in Indiana, HB 1004 would require hospitals affiliated with five major health systems in the state to lower their average commercial facility prices for inpatient and outpatient services to below 200% of Medicare rates, or risk losing their nonprofit status. Using data reported by hospitals nationwide, Medicare rates are set at a level that efficient hospitals can break-even. This memo presents an estimate of the savings to Hoosiers, including employers, other health care purchasers, and patients, if HB 1004 were enacted and all hospitals reduced their facility prices to avoid the penalty under this new law.

Key Findings

Using data from the Hospital Price Transparency Study (Round 5.1) and the National Academy for State Health Policy Hospital Cost Tool, we estimate that HB 1004 would annually save approximately **$2.3 billion** across the five major health systems in the state (**Table**). Commercial operating margins at the five health systems are expected to average 41.9% and overall margins are expected to average 11.8%.

Our findings show that implementing a cap on Indiana's hospital systems where they can't charge more than 200% of reimbursement rates could potentially significantly reduce health care spending in Indiana by lowering hospital prices. While the policy would generate significant savings for purchasers and patients, it would reduce operating profit margins for the affected health systems.

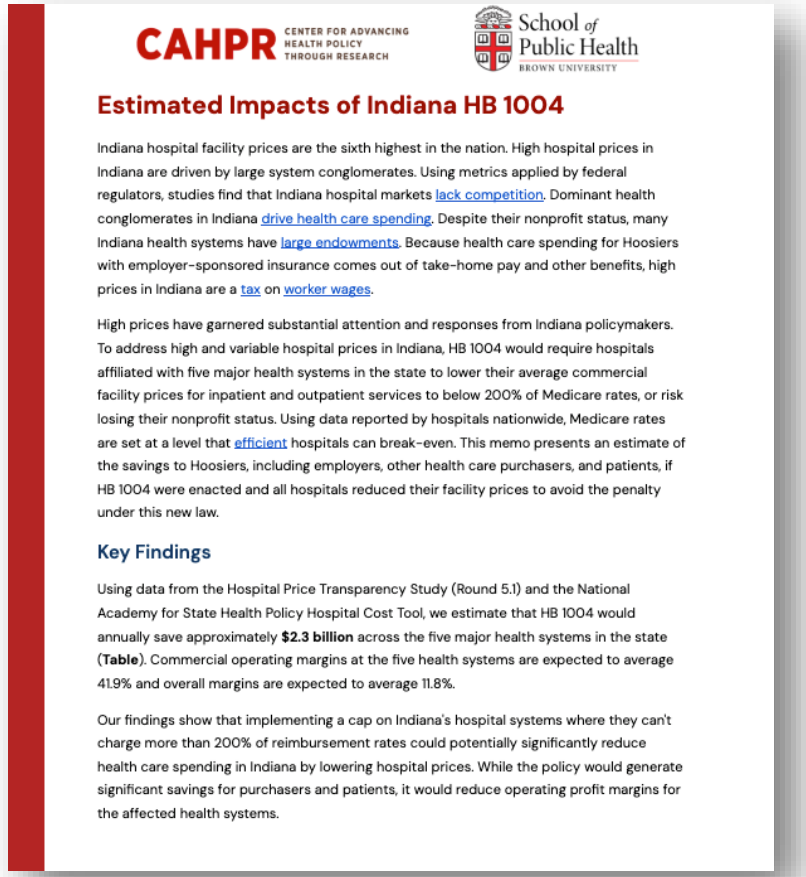
Hospital Payment Caps (HB1004):
Indiana could have saved $1.3 billion in 2022

Under HB1004, hospitals affiliated with the five largest health systems in the state would lose their non-profit status if hospital prices exceed 300% of Medicare

Estimated savings to Indiana purchasers and patients by health system

Health System	Number of affiliated hospitals	Average inpatient facility relative prices, %	Average outpatient facility relative prices, %	Savings to Indiana purchasers & patients in millions, $	Current commercial operating profit margin, %	Commercial operating profit margin under HB1004, %
Ascension Health	15	304.3	425.0	301.8	58.6	50.7
Community Health Network	5	328.5	392.7	263.3	59.8	50.5
Franciscan Health	9	301.0	334.2	201.3	58.8	51.7
Indiana University Health	11	349.6	372.2	335.8	49.7	44.5
Parkview Health System	7	328.7	448.4	223.5	52.6	42.8
TOTAL	**47**	--	--	**1,325.7**	--	--

Source: Murray & Whaley, 2025



CAHPR CENTER FOR ADVANCING HEALTH POLICY THROUGH RESEARCH

School of Public Health BROWN UNIVERSITY

Estimated Impacts of Indiana HB 1004

Indiana hospital facility prices are the sixth highest in the nation. High hospital prices in Indiana are driven by large system conglomerates. Using metrics applied by federal regulators, studies find that Indiana hospital markets lack competition. Dominant health conglomerates in Indiana drive health care spending. Despite their nonprofit status, many Indiana health systems have large endowments. Because health care spending for Hoosiers with employer-sponsored insurance comes out of take-home pay and other benefits, high prices in Indiana are a tax on worker wages.

High prices have garnered substantial attention and responses from Indiana policymakers. To address high and variable hospital prices in Indiana, HB 1004 would require hospitals affiliated with five major health systems in the state to lower their average commercial facility prices for inpatient and outpatient services to below 200% of Medicare rates, or risk losing their nonprofit status. Using data reported by hospitals nationwide, Medicare rates are set at a level that efficient hospitals can break-even. This memo presents an estimate of the savings to Hoosiers, including employers, other health care purchasers, and patients, if HB 1004 were enacted and all hospitals reduced their facility prices to avoid the penalty under this new law.

Key Findings

Using data from the Hospital Price Transparency Study (Round 5.1) and the National Academy for State Health Policy Hospital Cost Tool, we estimate that HB 1004 would annually save approximately **$2.3 billion** across the five major health systems in the state (**Table**). Commercial operating margins at the five health systems are expected to average 41.9% and overall margins are expected to average 11.8%.

Our findings show that implementing a cap on Indiana's hospital systems where they can't charge more than 200% of reimbursement rates could potentially significantly reduce health care spending in Indiana by lowering hospital prices. While the policy would generate significant savings for purchasers and patients, it would reduce operating profit margins for the affected health systems.

Site-Neutral (HB1003/SB370):
Indiana could have saved **$X** in 2022

Impact for Indiana in progress...

Stay tuned for results!

References

Centers for Medicare and Medicaid Services. National Health Expenditures Fact Sheet, 2023. CMS. 2024.

Congressional Budget Office. Policy approaches to reduce what commercial insurers pay for hospitals' and physicians' services. CBO. 2022.

Health Care Cost Institute. 2020 Health Care Cost and Utilization Report. 2022.

Kanimian S, Ho V. Why does the cost of employer-sponsored coverage keep rising? Health Affairs Scholar. 2024; 2(6).

Liu JL, Levinson ZM, Quresh N, Whaley CM. Impact of policy options for reducing hospital prices paid by private health plans. RAND Corporation; 2021.

Maeda JL, Nelson L. An analysis of private-sector prices for hospital admissions. Congressional Budget Office. 2017.

Murray RC, Brown ZY, Miller S, Norton EC, Ryan AM. Hospital facility prices declined as a result of Oregon's hospital payment cap. Health Aff (Millwood). 2024; 43(3).

Murray RC, Norton EC, Ryan AM. Oregon's hospital payment cap and enrollee out-of-pocket spending and service use. JAMA Health Forum. 2024;5(8):e242614.

Murray RC, Whaley CM, Fuse Brown EC, Ryan AM. Hospital payment caps could save state employee health plans millions while keeping hospital operating margins healthy. Health Aff (Millwood). 2024; 42(12).

Murray RC, Whaley CM. Estimated Impacts of Indianan HB 1004. 2025

Murray R, Janjua H, Whaley C. Estimating Savings from the Fair Pricing Act and Commercial Site-Neutral Payments in New York State. Center for Advancing Health Policy through Research. 2025 Feb 11.

Physicians Advocacy Institute. PAI-Avalere Report on Physician Employment Trends and Acquisitions of Medical Practices: 2019-2023.

Robinson JC, Whaley CM, Dhruva SS. Prices and complications in hospital-based and freestanding surgery centers. Am J Manag Care. 2024;30(4):179-184.

Selden TM, Karaca Z, Keenan P, White C, Kronick R. The growing difference between public and private payment rates for inpatient hospital care." Health Aff (Millwood), 2015; 34 (12): 214750

Urban Institute. Health and Hospital Expenditures. Urban Institute. Originally Published 2017 Oct 23.

White C, Whaley CM. Prices paid to hospitals by private health plans are high relative to Medicare and vary widely: findings from an employer-led transparency initiative. RAND Corporation; 2019.

Whaley CM, Briscombe B, Kerber R, O'Neill, Kofner A. Nationwide evaluation of health care prices paid by private health plans. RAND Corporation, 2020.

Whaley CM, Briscombe B, Kerber R, O'Neill B, Koffner A. Prices paid to hospitals by private health plans, RAND Corporation; 2022.

Whaley CM, Kerber R, Wang, D, Kofner A, Briscombe B. Prices paid to hospitals by private health plans. RAND Corporation; 2024.

CAHPR CENTER FOR ADVANCING HEALTH POLICY THROUGH RESEARCH

School of Public Health
BROWN UNIVERSITY