



# State of Indiana

# General Assembly

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«CEO\_or\_Equivalent\_First\_Name» «CEO\_or\_Equivalent\_Last\_Name», «Position»  
«Hospital\_System»  
«Address»  
«City», «State» «Zip\_Code»

Dear «CEO\_or\_Equivalent\_First\_Name»,

Indiana's hospitals and health care professionals are critical to the viability of communities across the state. The past nineteen months have heightened every Hoosier's appreciation for the expertise and dedication of medical professionals who have worked tirelessly and at great personal risk to ensure the safety of our communities. Their commitment to the health and welfare of each patient with whom they interact is inspiring and humbling.

Much has been asked of the hospital community both before and throughout the pandemic we are enduring. We recognize the tremendous responsibilities and burdens under which hospitals are asked to operate. With the utmost respect for the work that you do each and every day, we write to you today to ask for your leadership in addressing a pressing challenge that faces the Hoosier state.

The cost of healthcare, particularly hospital care, in Indiana is inordinately high. The RAND Corporation has conducted a series of comprehensive studies focused on understanding and comparing the cost of healthcare among various states. The latest study, RAND 3.0, published in September 2020 compared prices across 49 states. The study found that Indiana's hospital facility fees are the 5<sup>th</sup> highest in the country, averaging 340% of the Medicare rate. Nationally, the average facility fee for hospitals is 263% of Medicare.

Using a different methodology. A Harvard University study found that Indiana's inpatient facility fees were the 2<sup>nd</sup> highest in the nation (345% of Medicare) and that Indiana's inpatient facility fees were the 3<sup>rd</sup> highest in the nation (385% of Medicare).

The RAND Corporation also compared prices using a Standardized Pricing Model. The RAND Corporation's Standardized Pricing Model included professional (physician) fees in its calculations. Indiana has one of the lowest professional fee rates in the nation. The inclusion of this data showed Indiana in a more favorable light (ranking 18<sup>th</sup> in inpatient fees and 16<sup>th</sup> in

outpatient fees). When professional fees are backed out of the equation, and a cost-of-living index is applied to the Standardized Pricing Model, Indiana's hospitals rank as the 6<sup>th</sup> most expensive for inpatient fees and the 5<sup>th</sup> most expensive for outpatient fees.

The high cost of hospital care in Indiana has a multitude of negative impacts on the Hoosier economy. There is a bevy of research that supports the fact that as health care costs increase for an employer, there is a corresponding lag in the growth of wages. High health care costs inhibit business expansion and are a detriment to economic development. We recognize that the fault for the high costs we've outlined above do not rest entirely on hospitals. Large insurers and other third-party payers have also played a significant role.

The ability of Hoosiers to pay hospital prices that are often more than 50% above the national average is untenable and unfair. To ensure the economic viability of Hoosiers healthcare payers, we need your help to address this issue. We are sure you would agree that the mission of not-for-profit hospitals must be to maximize quality, maximize efficiency, and minimize prices.

We are asking you to work collaboratively with third-party payers to present a plan to the legislature by April 1, 2022 that would lower Indiana's hospital prices to at least a national average by January 1, 2025, utilizing either Medicare (the national average is 263% of Medicare) or Standardized Pricing adjusted by cost-of-living as the benchmark. Our teams stand ready to assist you in any way that we can. It is not lost on us that your industry is complex and that there are myriad demands on your time.

It is our expectation that the plan will articulate measures that ensure all cost savings directly benefit policy owners (governments, private employers, and individuals). As the leaders of the critically important hospital community, you are best positioned to identify the most effective and efficient ways to lower costs for Hoosier healthcare payers. We need you to identify and implement measures that maintain a high-quality care environment and lower the cost of care.

Absent a viable plan, we will be left with no choice but to pursue legislation to statutorily reduce prices.

We know how deeply committed you are to the communities and patients you serve. Your work, and the work of your talented medical staffs, saved countless Hoosier lives both before and throughout the COVID-19 pandemic. Your leadership is critical in our effort to make high quality healthcare more affordable for Hoosiers.

We look forward to discussing your participation in this vitally important initiative with you. We wish you the very best in your ongoing efforts to meet the healthcare needs of every Hoosier.

Sincerely,



Rodric D. Bray  
President Pro Tempore  
122<sup>nd</sup> General Assembly



Todd M. Huston  
Speaker of the House  
122<sup>nd</sup> General Assembly



cc: Kreg Gruber, CEO Beacon Health System  
Steven Holman, President and CEO Union Health  
Kevin Leahy, President and CEO Franciscan Health  
Shawn McCoy, CEO Deaconess Health System  
Bryan Mills, President and CEO Community Health Network  
Dennis Murphy, President and CEO Indiana University Health  
Jonathan Nalli, CEO Ascension Health St. Vincent Indianapolis  
Mike Packnett, CEO Parkview Health System  
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