

March 28, 2022

President Pro Tempore Bray and Speaker Huston:

As the 2022 Chair of the Indiana Hospital Association (IHA), and on behalf of its 170 members statewide, I would like to provide the following response to your letter dated December 17, 2021, in which you requested that hospitals work collaboratively with health insurers to “present a plan to the legislature by April 1, 2022 that would lower Indiana’s hospital prices to at least the national average by January 1, 2025 . . .” As you know, antitrust provisions dictate the planning and communicating of confidential contractual information among entities in an industry. With these antitrust principles in mind, the following letter discusses several initiatives that are in motion, as well as recommendations to foster an even better environment for further improvement.

As we have mentioned previously, the terms “hospital prices” and “health care costs” are often used interchangeably. When we look at measures of relative costs that include the full continuum of health spending, utilization, and administrative expenses, we see that Indiana is not an outlier compared with our neighboring states or the nation. However, health care is expensive, and we are fully committed to addressing affordability. We must keep our collective focus on the overall cost of care, rather than on only one component. Unless we use a holistic approach, we will not see sustainable, long-term savings accrue back to employers and individual Hoosiers.

We agree with you that market forces, which are already working as outlined below, should be the primary driver of change. The market is working, and we should let it continue in the most consumer- and business-friendly manner possible. Heavy-handed government interventions, such as the statutory price setting of one industry mentioned in your letter, will not accomplish this goal of sustainable long-term savings. Only comprehensive transparency that captures data across the entire health care industry will help drive down overall health care costs.

Your efforts to increase transparency during the 2020 and 2021 legislative sessions are paying off, but there is still much to uncover to improve Hoosiers’ ability to fully understand where their health care dollars go and who profits at the end of the day. Looking to the future, comprehensive transparency is necessary.

Comprehensive Transparency

Under your leadership, the General Assembly accomplished significant goals to increase the transparency of health care costs during the 2020 and 2021 legislative sessions. Indiana hospitals are proud to have supported many of those initiatives, such as the prohibition of “surprise” medical billing, the provision of good faith estimates for patients, the posting of common service prices online and the establishment of the All-Payer Claims Database (APCD). Hospitals have been great partners in implementing these transparency initiatives, even throughout a global pandemic. A recent independent study found that Indiana hospitals are the fourth most transparent nationally.¹ Indiana consumers now have a full view into hospital pricing and the ability to get a good faith estimate of their costs for

¹ Jiang, J., Polsky, D., Littlejohn, J., Wang, Y., Zare, H., & Bai, G. (2021). Factors associated with compliance to the Hospital Price Transparency Final Rule: A national landscape study. *Journal of General Internal Medicine*, 1(8).

procedures. Additionally, the APCD advisory council has convened, and the database will soon be in place, to provide even greater transparency for consumers. Once the APCD is fully operational and contains relevant pricing information, we would welcome a partnership with the legislature to promote the APCD to ensure it reaches as many consumers as possible.

While Hoosiers have access to hospital information, they lack a meaningful understanding of their health insurance premiums, which have been increasing at a pace greater than that of the associated medical spend.² The calculation of health insurance premiums is still a “black box” for policy owners. The transparency initiatives enacted by the legislature since 2020 have fundamentally and permanently changed the way people and businesses purchase health care. The market is evolving as a catalyst for these changes. It is vital that we preserve the momentum you have created by prioritizing the continuation of transparency in the health insurance and pharmaceutical industries. Without shedding equal light on each industry that impacts health care costs, Hoosiers will always be victims of cost shifting as the proverbial balloon gets squeezed—they may pay less in one area, but they will feel the increase in other areas, especially from vertically integrated organizations such as insurers and their pharmacy benefit managers (PBMs). Comprehensive transparency is the viable solution that would allow policy makers to keep the free market moving in the right direction.

Policy & Market Solutions

The market has already begun responding to the legislature’s transparency actions to lower health care costs in multiple ways. Hospital systems have announced price reduction plans as well as health care affordability initiatives. Additionally, hospitals and insurance companies have engaged in significant negotiations throughout the pandemic in which hospitals have made considerable concessions. Additional examples of market response include centers of excellence contracting with employers for services such as orthopedics and direct contracting between employers and providers for all services. Yet another example is the tiered/narrow networks established to control costs such as the project Purdue University and the State of Indiana are implementing.

Hospitals also continue to focus on the poor public health status of our state. Preventable issues such as tobacco related illnesses, type 2 diabetes and obesity are much too prevalent in our state and will only continue to harm our health infrastructure as well as the economy. The financial toll of smoking alone on businesses is concerning. Currently, Indiana ranks 45th in public health spending. We understand that increasing such funding is not the only solution, but it should be considered as patients in our state become healthier, in turn making them more expensive to treat and care for.

Increasing funding for public health initiatives is not the only way to prioritize and incentivize improved health outcomes. We have seen success in what is known as “value-based” care, in which parties include in their agreements incentives for improving health outcomes for covered lives. This is yet another opportunity for the market to continue moving in the right direction. The further we move from the “fee-for-service” models, the closer we become to ensuring providers and insurers are working in concert to prioritize the overall health of their patients.

² Kaufman, N. (2022). *Analysis of Indiana insurance premiums*. Kaufman Strategic Advisors.

In addition to these proactive measures to reduce overall health care costs for businesses and individuals, insurance and hospital industry stakeholders are engaging in conversations to explore avenues to improve working relationships. The goal of these discussions is to identify unnecessary waste in the system, whether technical or administrative. We are confident that significant cost savings can be achieved in the system by streamlining some processes and removing others. Although hospitals and insurers already had a relationship, these refreshed conversations are a result of the pressure you have put on the industry. Your directive is not one we take lightly. Forcing the market to react in this way is a success of yours on its own, and we intend to move forward proactively to ensure progress continues.

The industry will continue to take steps to tailor cost-reduction measures to each community's needs and available resources. The priorities you have laid out present an opportunity for industry players to come together and create meaningful reductions in health care costs without sacrificing the quality of care and without violating antitrust principles. A crucial next step in measuring the progress made is to define consistent benchmarks for each industry stakeholder so we are all working with the same metrics. One clear metric is the overall cost of health care paid, commonly measured by health insurance premiums. We are confident that Hoosiers are more concerned with the overall cost of their health care than they are by one specific type of fee that does not account for other factors that contribute to their costs. Market-based solutions provide the best opportunity to address Hoosiers' true concerns.

Conclusion

Thank you for your leadership and your dedication to Indiana's future success. We believe that health care should be accessible to all, affordable and of the highest quality. Our hospitals and health systems stand ready to collaborate with insurers to meet this goal, but this collaboration can be only part of the solution.

A necessary element is education for employers about options outside of the traditional models that have dominated the market in Indiana. We look forward to providing more education in the coming weeks about how our members are reducing costs and improving outcomes around the state.

As we have discussed, using public policy to enhance transparency is appropriate. We should finalize the development of the APCD as soon as possible with an emphasis on consumer-facing tools. To meet our shared objective of lowering costs of health care while maintaining quality, Hoosiers need the full picture of health care costs, pharmaceutical pricing and administrative expenses.

Respectfully,



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