



## Indiana’s Hospital Facility Fees Are Among the Highest in the Country

Several recent studies of commercial hospital prices across the United States have reached the same conclusion—Hoosiers pay much higher hospital prices, both for inpatient and outpatient services, than people in most other states. Hoosiers pay higher hospital prices because the facility fees charged by hospitals are extremely high. Professional physician fees, however, are lower in Indiana than in almost every other state.

### Comparing Hospital Prices as a Percentage of Medicare

Many of the studies that contrast hospital prices across states first compute prices as a percentage of Medicare. The most recent RAND study includes hospital prices for the years 2018 through 2020 for every state, excluding Maryland.<sup>1</sup> Table 1 shows prices in Indiana as a percentage of Medicare for inpatient services (the facility fee plus the physician fee), outpatient services (the facility fee plus the physician fee), the physician fee, the inpatient facility fee, the outpatient facility fee, and the overall hospital price. The table also shows these prices in Indiana relative to the national average. Overall, Indiana’s hospital prices, which include the facility fee and the fee paid directly to physicians for services provided in hospitals, were 293% of Medicare in 2020—7<sup>th</sup> highest in the country and 31% above the national average of 224%.

**Table 1: Indiana Hospital Prices Relative to Other States (as Percentage of Medicare in 2020)**

	Indiana prices	RAND National Avg	Indiana relative to Nat Avg
Overall	293% (7 <sup>th</sup> )	224%	131%
Inpatient	272% (9 <sup>th</sup> )	217%	125%
Outpatient	327% (7 <sup>th</sup> )	231%	142%
Physician Fees	126% (46 <sup>th</sup> )	163%	77%
Inpatient Facility Fee	298% (4 <sup>th</sup> )	N/A	N/A
Outpatient Facility Fee	386% (6 <sup>th</sup> )	N/A	N/A

Source: 2022 RAND study.

Note: The RAND study did not contain the national average for the inpatient and outpatient facility fees.

The national average hospital prices were 217% for inpatient services and 231% for outpatient services when including physician fees in the price calculation. Indiana’s inpatient prices were 272% of Medicare (25% higher than the national average) and 327% for outpatient prices (42%

<sup>1</sup> [https://www.rand.org/pubs/research\\_reports/RRA1144-1.html](https://www.rand.org/pubs/research_reports/RRA1144-1.html)



higher than the national average). Only four states have lower physician fees than Indiana, which at 126% of Medicare are only 77% of the national average of 163%.

Indiana’s high overall hospital prices are driven by high facility fees. According to the RAND report, facility fees account for about 85% of a total hospital bill. Inpatient facility fees in Indiana were 298% of Medicare rates in 2020—4<sup>th</sup> highest in the country.<sup>2</sup> Indiana’s outpatient facility fees were 386% of Medicare rates in 2020—6<sup>th</sup> highest in the country.<sup>3</sup> The RAND report did not contain the national average for the facility fee categories.

Table 2 shows Indiana’s hospital prices, including physician fees, from 2018 to 2020. Although definitive conclusions cannot be drawn from the trend, it suggests that inpatient hospital prices in Indiana—as a percentage of Medicare—climbed from 2018 to 2020 while outpatient prices stayed relatively flat.

**Table 2: Indiana Hospital Prices from 2018-2020  
(as Percentage of Medicare)**

	2018	2019	2020
Inpatient Services	260%	285%	272%
Outpatient Services	326%	329%	327%
Overall	283%	301%	293%

Source: 2022 RAND study.

Using a somewhat different data set with 2017 commercial data, a Harvard University study found that Indiana’s inpatient facility fees were 345% of Medicare rates (3<sup>rd</sup> highest in the country) and 385% of Medicare rates for outpatient facility fees (2<sup>nd</sup> highest in the country).<sup>4</sup> Harvard’s study shows that Indiana’s inpatient facility fees are 14% above average and Indiana’s outpatient facility fees are 23% above average.<sup>5</sup>

Medicare makes a variety of adjustments in determining payments to hospitals. These include the local cost of doing business, whether hospitals provide graduate medical education, whether they are classified as “critical access” facilities,<sup>6</sup> and the extent of treatment of low-income and uninsured patients. Teaching hospitals such as IU Health and Eskenazi Health that treat more indigent patients qualify for higher Medicare inpatient reimbursement rates. Consequently, they

<sup>2</sup> Note that these are percentages and not percentage points.

<sup>3</sup> Indiana has relatively high inpatient and outpatient facility fees, which is why the state’s overall hospital price ranking is higher than the separate rankings for inpatient and outpatient facility fees.

<sup>4</sup> <https://www.healthaffairs.org/doi/10.1377/hlthaff.2019.01377>

<sup>5</sup> The state average from the Harvard Study is unweighted, meaning that each state, regardless of its population, was an equal component of the average.

<sup>6</sup> Critical access hospitals are rural hospitals that generally have 25 or fewer acute care inpatient beds, are located more than 35 miles from another hospital, maintain an average length of stay of 96 hours or less, and provide 24/7 emergency care services.



get paid higher Medicare payments for inpatient services than other Indiana hospitals. As a result of these adjustments, facilities that get higher Medicare inpatient reimbursements will tend to show lower private insurance-to-Medicare payment ratios.<sup>7</sup> Thus, hospitals like IU Health and Eskenazi Health appear better in Medicare-based comparisons relative to hospitals like Parkview and Community Health System, which have lower Medicare payments.

Of note, the adjustment in Medicare payment for education and indigent care only applies for inpatient services, not for outpatient services. Outpatient payment is based on a standard service fee schedule that varies by hospital location (e.g. wage adjustments and rural location) and patient complexity.

Table 3 shows Indiana’s hospital prices relative to those in the region. The first two columns show inpatient and outpatient facility fees, as a percent of Medicare, excluding professional physician service payments. Indiana’s inpatient and outpatient facility fees are the highest in the region. The third column shows the physician professional fees. Indiana’s professional services are the second lowest in the region. Columns four and five include the physician fee for inpatient and outpatient services, respectively. The final column shows the hospital prices, including the professional service fee.

**Table 3: IN’s hospital prices, as % of Medicare, compared to the region**

State	Inpatient facility fee	Outpatient facility fee	Physician fee	Overall inpatient	Overall outpatient	Overall hospital
Wisconsin	259%	322%	384%	273%	337%	307%
Indiana	298%	386%	126%	272%	327%	293%
Ohio	285%	326%	161%	249%	293%	278%
Illinois	220%	341%	160%	211%	307%	253%
Kentucky	223%	265%	121%	205%	241%	212%
Michigan	219%	182%	137%	208%	175%	193%

Source: 2022 RAND study.

Indiana’s hospital prices are the second highest in the region, after Wisconsin’s prices. Wisconsin’s overall prices are higher because the professional physician fee in Wisconsin is three times the physician fee in Indiana. Overall, Indiana’s hospital prices as a percent of Medicare, inclusive of physician professional services, exceed Michigan’s hospital prices by 51% (36% higher for inpatient facility fees, 112% higher for outpatient facility fees, and 8% lower for physician services).

<sup>7</sup> That is, a larger denominator attributable to higher Medicare payments will, all else equal, tend to produce a lower ratio.



## Comparing Hospital Prices as a Standardized Price

A second method to compare prices across hospitals is to compute a standardized price per service after applying a casemix adjustment. Unlike Medicare prices, these prices are not adjusted for the local cost of living or facility characteristics.

The 2022 RAND study included physician fees along with hospital facility fees in its standardized price calculations. The standardized price comparisons do not account for cost-of-living differences between states. Since Indiana is a relatively low cost-of-living state, hospital prices should be lower in Indiana all else being equal.

Indiana’s standardized price for inpatient services was \$26,208 and the standardized facility fee for outpatient services was \$347. Accounting for Indiana’s lower cost-of-living, which is about 10% below the national average, yields an inpatient price of \$28,800 and an outpatient price of \$381. Both fees were well above the average of the states, which is \$26,103 for inpatient services and \$291 for outpatient services. Of note, the RAND report did not contain the national averages for standardized prices, so we calculated an unweighted average across the states. For Indiana’s hospital prices to reach the state average, they would need to drop by about 10% for inpatient services and 24% for outpatient services.

**Table 4: Standardized Facility Fees, Indiana vs. State Average**

	Inpatient	Outpatient
Indiana	\$26,208	\$347
Indiana, with COL adjustment	\$28,880	\$381
Average of States	\$26,103	\$291
Reduction Needed to Get to Avg	9.6%	23.6%

Source: 2022 RAND study.

Note: The average of states is unweighted average of 49 states in the RAND study.

Two other studies confirm that Indiana has high hospital facility fees. A study by the Health Care Cost Institute (HCCI) found that hospital inpatient prices paid by employer plans in Indianapolis in 2017 were 30% above the national median, and hospital outpatient prices in Indianapolis were 21% above the national median.<sup>8</sup> As mentioned above, the Harvard study, which used a percent of Medicare methodology, assessed 14 million commercial employees across 48 states and found that Indiana had the 2<sup>nd</sup> highest facility fees for outpatient hospital services and 3<sup>rd</sup> highest facility fees for inpatient services.<sup>9</sup>

<sup>8</sup> <https://healthcostinstitute.org/hcci-origins/hmi-interactive#HMI-Price-Index>. This was not a percent of Medicare methodology.

<sup>9</sup> <https://www.healthaffairs.org/doi/10.1377/hlthaff.2019.01377>



The Harvard study also found that Indiana's physician professional fees were the 3<sup>rd</sup> lowest in the country. Physicians who are employed by hospitals are paid a portion of the facility fee. Given the high facility fees and low professional service fees, doctors in Indiana have a particularly large incentive to become hospital employees and sell their independent practices.

### **Price Comparisons Within Indiana Hospitals**

RAND provided information that showed prices, both as percent of Medicare and as standardized prices, by U.S. hospital system. The figures in Tables 5-7 include the professional physician payment and represent the total price that hospitals receive for inpatient and outpatient services. Table 5 shows the combined inpatient and outpatient prices by Indiana hospital system, as a percentage of Medicare. It also shows each Indiana hospital system's prices as a percentage of the national average. Table 6 shows the same price information by hospital system, as a percent of Medicare, separated by inpatient and outpatient services, and as a percentage of the national average. Table 7 shows standardized price information, and as a percentage of the state average since RAND did not provide a national average for standardized prices. These tables also include the Indiana hospital average, the Indiana hospital average excluding the major seven Indiana hospital systems in addition to the national or state average.

The tables show that the larger hospital systems in Indiana have much higher prices than the smaller, independent hospitals in Indiana as well as much higher prices relative to other states. As a percentage of Medicare, large hospital systems such as Parkview (350% of Medicare), IU Health (333% of Medicare), Ascension (323% of Medicare), and Community Health Network (321%) have exceptionally high prices—all at least 43% above the national average of prices as a percentage of Medicare. Community Health Systems and Franciscan Health are each more than 20 percent above the national average, as a percentage of Medicare. Of the major hospital systems in the state, Deaconess Health System has the lowest prices, with prices for inpatient and outpatient services both below average prices throughout the state. Of the major hospital systems, Deaconess's prices more closely resemble those of other hospitals, such as county and independent hospitals.

IU Health, Ascension, and Community Health each have exceptionally high standardized prices as well. Since Parkview receives less in Medicare-related adjustments, its standardized price for inpatient care is closer to the state average although its outpatient standardized price is the highest of any of the large hospital systems.

### **Conclusion**

Regardless of methodology used to compare hospital prices, Indiana's hospital facility fees are among the highest in the country. The acute problem is a handful of large hospital systems, particularly IU Health, Ascension, Community Health Network, and Parkview. Those systems need to reduce prices by at least 40% to get at the national average. For overall commercial



hospital prices in Indiana to reflect average prices across states, they would need to be lowered by 20% to 30%.

**Table 5: Hospital Prices as Percent of Medicare, by Hospital System (including professional physician fee)**

Hospital System	Price	% of nat'l avg
Parkview Health System	3.5	156%
Indiana University Health	3.33	149%
Ascension Health	3.23	144%
Community Health Network	3.21	143%
<b>IN Hospital Average</b>	<b>2.93</b>	<b>131%</b>
Community Health Systems	2.77	124%
Franciscan Health	2.68	120%
<b>Other IN Hospital Average</b>	<b>2.63</b>	<b>117%</b>
Deaconess Health System	2.6	116%
<b>National Average</b>	<b>2.24</b>	<b>100%</b>

Source: 2022 RAND study.

Note: The Other IN Hospital Average is the unweighted average of all Indiana hospitals, other than the seven hospital systems listed in the table. The IN Hospital average is the weighted average of all of Indiana's hospitals.

**Table 6: Prices for Inpatient and Outpatient Services, by Hospital System (as % of Medicare) (including professional physician fee)**

<i>Inpatient Services</i>			<i>Outpatient Services</i>		
Hospital System	Price	% of nat'l avg	Hospital System	Price	% of nat'l avg
Indiana University Health	3.21	148%	Parkview Health System	4.06	176%
Community Health Network	3.08	142%	Community Health Network	3.91	169%
Parkview Health System	2.87	132%	Indiana University Health	3.64	158%
Ascension Health	2.82	130%	<b>Other IN Hospital Average</b>	<b>3.44</b>	<b>149%</b>
<b>IN Hospital Average</b>	<b>2.72</b>	<b>125%</b>	Ascension Health	3.37	146%
Community Health Systems	2.6	120%	<b>Indiana Hospital Average</b>	<b>3.26</b>	<b>141%</b>
Deaconess Health System	2.6	120%	Franciscan Health	3.23	140%
Franciscan Health	2.49	115%	Community Health Systems	3.03	131%
<b>Other IN Hospital Average</b>	<b>2.22</b>	<b>103%</b>	Deaconess Health System	2.7	117%
<b>National Average</b>	<b>2.17</b>	<b>100%</b>	<b>National Average</b>	<b>2.31</b>	<b>100%</b>

Source: 2022 RAND study.

Note: The Other IN Hospital Average is the unweighted average of all Indiana hospitals, other than the seven hospital systems listed in the table. The IN Hospital average is the weighted average of all of Indiana's hospitals.



**Table 7: Standardized Prices for Inpatient and Outpatient Services, by Hospital System (as % of Medicare) (including professional physician fee)**

<i>Inpatient Services</i>			<i>Outpatient Services</i>		
<b>Hospital System</b>	<b>Price</b>	<b>% of state avg</b>	<b>Hospital System</b>	<b>Price</b>	<b>% of state avg</b>
Indiana University Health	\$37,716	144%	Parkview Health System	\$549	189%
Ascension Health	\$31,363	120%	Ascension Health	\$473	163%
Community Health Network	\$31,246	120%	Community Health Network	\$420	144%
<b><i>IN Hospital Average</i></b>	<b><i>\$28,800</i></b>	<b><i>110%</i></b>	Indiana University Health	\$416	143%
Parkview Health System	\$27,629	106%	<b><i>Other IN Hospital Average</i></b>	<b><i>\$395</i></b>	<b><i>136%</i></b>
<b><i>State Average</i></b>	<b><i>\$26,103</i></b>	<b><i>100%</i></b>	<b><i>Indiana Hospital Average</i></b>	<b><i>\$381</i></b>	<b><i>131%</i></b>
Franciscan Health	\$25,504	98%	Franciscan Health	\$344	118%
Community Health Systems	\$24,485	94%	Community Health Systems	\$325	112%
<b><i>Other IN Hospital Average</i></b>	<b><i>\$23,242</i></b>	<b><i>89%</i></b>	<b><i>State Average</i></b>	<b><i>\$291</i></b>	<b><i>100%</i></b>
Deaconess Health System	\$23,213	89%	Deaconess Health System	\$275	95%

Source: 2022 RAND study.

Note: The average of states is unweighted average of 49 states in the RAND study. Note: The Other IN Hospital Average is the unweighted average of all Indiana hospitals, other than the seven hospital systems listed in the table. The IN Hospital average is the weighted average of all of Indiana's hospitals.



Appendix

