



New Data Reveals Employers/Private Insurers Pay Hospitals 247% More Than What Medicare Would Pay

Collaboration between RAND and Employers' Forum of Indiana analyzes data from 49 states in the most comprehensive study of hospital prices ever done to be made publicly available

(Indianapolis, IN, September 18, 2020) A new study published by the RAND Corporation reveals that a large sample of employers and private insurers across 49 states and District of Columbia pay, on average, 247% of what Medicare pays for the same hospital services, including both facility and professional fees for inpatient and outpatient care. Researchers analyzed hospital claims data representing \$33.8 billion from 2016-2018 for 3,112 hospitals located in every state except Maryland. They collected data from self-insured employers, six state all-payer claims databases, and health plans across the country. The findings illustrate a wide variation in hospital facility and professional prices for the commercially insured population. The report also identifies the top 10 most expensive health systems in each state and reports individual hospital prices alongside quality and safety measures.

The research methods and national recruitment were a collaboration between the [Employers' Forum of Indiana](#), an employer-led health care coalition, and [RAND Corporation](#). RAND researchers independently conducted all study analyses and wrote the final report. This study was funded by the Robert Wood Johnson Foundation and self-funded employers.

RAND's previous analysis published in 2019 examined hospital facility fees for inpatient and outpatient services in 25 states, and Indiana was noted to have the highest hospital prices. This year's study adds inpatient and outpatient professional fees and expands the analysis to 49 states and District of Columbia, the volume of data collected from the original 25 states, and the analysis of hospital quality and safety data. Similar to last year, this year's report (RAND 3.0), an Excel spreadsheet, and interactive map noting all hospitals' price and quality information can be found at www.employerPTP.org.

"If the private health plans participating in the study had paid hospitals using Medicare's payment formulas, the total allowed amount over the 2016 to 2018 period would have been reduced by \$19.7 billion, a potential savings of 58%," says Christopher Whaley, policy researcher and lead author of the report.

Gloria Sachdev, President and CEO of the Employers' Forum of Indiana, commented, "Year after year, high hospital prices have taken a financial toll on employers and everyday people. And for employers specifically, it has resulted in them having less money available for employee raises, hiring staff, offering robust health benefits, growing their businesses, and contributing to their communities. The RAND 3.0 study findings allow us to be more informed shoppers of health care."



Results for Indiana from the RAND 3.0 report include:

- In 2018, private insurers, on behalf of employers and employees, paid Indiana hospitals 304% of what Medicare would have paid for the same hospital services, making Indiana the state with the sixth highest prices in the nation for total hospital prices. Total hospital price includes hospital facility fees (which are fees paid to the hospital for inpatient and outpatient services) and professional fees (which are fees paid to practitioners, such as physicians, for inpatient and outpatient services).
- In 2018, Indiana had the fourth highest facility prices in the nation at 340% of Medicare.
- In 2018, Indiana had the fourth lowest professional fees in the nation at 130% of Medicare.
- The study findings note wide variability of prices across health-systems ranging from 168% to 387% of Medicare in 2018 (health care systems in Indiana was defined as organizations with two or more hospitals).
- Looking at just inpatient prices (facility fees plus professional practitioner fees), prices ranged from 134% to 328% of Medicare in 2018.
- When comparing just outpatient prices (facility fees plus professional practitioner fees), prices ranged 186% to 442% of Medicare in 2018.
- Hospital quality and safety information is also widely variable and does not correlate with price.
- Indiana has high quality and lower price hospital options available, as well as low quality and high price hospital care.

“Since last year’s RAND 2.0 report, several Indiana employers, benefit consultants, insurers, and hospitals have taken steps to lower hospital prices,” added Sachdev. “We also saw state leaders take legislative action, but we have a long way to go to achieve fair hospital pricing in Indiana. During these hard economic times with the pandemic still raging, health care affordability has never been more important for Hoosiers.”

“The Rand study has proven to be an important tool to help employers design plans to deliver the best and most cost-effective health care to their employees,” says Natalie Roberts, Senior Vice President, Monarch Beverage.

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About the Employers’ Forum of Indiana

The Employers’ Forum of Indiana is a not for profit employer-led multi-stakeholder coalition whose mission is to improve the value payers and patients receive for their health care expenditures. Forum members include employers, health plans, hospitals/health-systems, providers, and numerous other interested healthcare stakeholders who work collaboratively to improve health care in Indiana.