



State of Indiana

General Assembly

Senator Rodric D. Bray
President Pro Tempore
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E-mail: S37@iga.in.gov

Representative Todd M. Huston
Speaker of the House
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Indianapolis, Indiana 46204
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December 17, 2021

«CEO_or_Equivalent_First_Name» «CEO_or_Equivalent_Last_Name», «Notes»
«Health_Carrier»
«Address»
«City», «State» «Zip_Code»

Dear «CEO_or_Equivalent_First_Name»,

The insurance industry is an important driver of Indiana's economy, employing thousands of Hoosiers, and generating significant economic activity. Hoosier businesses and citizens place their trust in insurers to negotiate fair prices for quality health care. A thriving insurance industry is vital to the well-being of the state, Hoosier businesses, and Hoosier citizens.

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 5th 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 2nd highest in the nation (345% of Medicare) and that Indiana's inpatient facility fees were the 3rd 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 18th in inpatient fees and 16th 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 6th most expensive for inpatient fees and the 5th 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 50% or more 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.

As the leaders of the critically important insurance community, you are best positioned to identify the most effective and efficient ways to lower costs for Hoosier healthcare payers. We need you to help identify and implement measures that maintain a high-quality care environment and lower the cost of care while ensuring that savings are passed on to policy owners. 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.

We are asking you to work collaboratively with hospitals 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. It is our expectation that your plan will articulate measures that ensure all cost savings directly benefit policy owners (governments, private employers, and individuals).

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

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
122nd General Assembly



Todd M. Huston
Speaker of the House
122nd General Assembly

cc: Jim Boyman, North Central Territory Lead Aetna
Jessica Cromer, President and CEO MDWise
Beth Keyser, President (IN) Anthem, Inc.
Kathie Mancini, President East Central Medicare Region Humana
Brian Marsella, Midwest Market President Cigna
Stephanie Motter, President Indiana University Health Plan
Kevin O'Toole, President and CEO MHS-Centene Corporation
Gary Shearer, President and CEO of Northern IN PHP
Steve Smitherman, President Indiana Market CareSource
Kim Sonerholm, President and CEO United Health
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
Brian Tabor, President Indiana Hospital Association
Marty Wood, President Insurance Institute of Indiana