

Indiana's Soaring Hospital Prices and Unaffordable Insurance Premiums: Causes and Potential Solutions

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Embargoed date: Thursday, October 6, 2022 at 10:00am EDT

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Indiana's healthcare prices are among the highest in the nation, and health insurance premiums are growing increasingly unaffordable for the state's workers and employers. The Indiana state legislature is rightfully asking [why](#).

A new report from The Nicholas C. Petris Center on Health Care Markets and Consumer Welfare shows that Indiana's highly concentrated healthcare markets are contributing to high prices and insurance premiums, and offers a policy roadmap for ensuring that all Hoosiers have access to affordable, high-quality healthcare.

The Petris Center report, titled "Indiana's Soaring Hospital Prices and Unaffordable Insurance Premiums: Causes and Potential Solutions," finds the following:

- Hospital prices are soaring in Indiana, increasing by 45% between 2008 and 2017 while insurance has become more unaffordable and hospitals have amassed large cash reserves.
- Standardized hospital prices per admission were \$2,000 to \$3,000 higher than in comparison states (Ohio, Michigan, Illinois, Wisconsin).
- Hospital mergers in the state between 2005 and 2015 led to 10.6% price increases and may have cost Indiana workers as much as \$1.5 billion in annual aggregate wage reductions, but there was no observed increase in quality associated with these mergers. These and subsequent hospital mergers were not challenged in court by federal or state antitrust regulators.
- Indiana's hospital and insurance markets are highly concentrated.
- Primary care physician markets have been rapidly consolidating. Furthermore, hospital systems have been acquiring primary care physician groups (a form of vertical integration). Vertical integration is associated with significant price increases (2.1% to 5.0%).
- Private equity acquisitions of clinics and physician groups are also rapidly increasing in Indiana with six occurring between 2010 and 2016 and 41 occurring between 2017 and 2021.
- Employer-sponsored insurance premiums for a single-enrollee plan increased more rapidly in Indiana (19%) than in comparison states (11%) and the national average (12%) between 2017 and 2020.

- Employer-sponsored insurance premiums as percentage of average annual workers' pay was 14.1% in Indiana in 2020, higher than in comparison states (12.1%) and the national average (11.2%).

The report makes the following policy recommendations to address Indiana's consolidated healthcare markets:

- Increase antitrust enforcement and state healthcare merger notification and review authority to increase transparency and block potentially anti-competitive mergers in healthcare markets.
- Restrict anti-competitive contract terms between hospitals and insurers, such as "all-or-nothing" contracts in which a hospital system requires insurers to contract with all of its hospitals in order to include any of its hospitals in the insurer's network, and anti-tiering/anti-steering clauses, which prevent insurers from using incentives to direct patients towards lower-cost and higher-value care.
- Encourage commercial, Medicare Advantage, and Medicaid managed care plans in the state to implement site-neutral payment policies that pay equal rates to independent physician groups and those that are employed directly by hospitals or health systems.
- Encourage compliance with federal price transparency regulations and continue developing the state's all-payer claims database.
- Re-evaluate the tax-exempt status of non-profit health systems and insurers that may not be acting in the public interest.
- If these policies are insufficient to ensure affordable access to health insurance in the state, the legislature may need to consider establishing a healthcare affordability commission or pursuing hospital rate regulation.