

## INDIANA SUPREME COURT DECLINES TO ALLOW COURTS TO REVIEW “REASONABLENESS” OF BILLED HOSPITAL CHARGES

### INTRODUCTION

On December 19, 2012, the Indiana Supreme Court issued a landmark decision holding that a self-pay or out-of-network patient who contractually agrees to pay "the account" for medical services rendered by a hospital, may be liable for rates as set by the hospital's chargemaster. The patient may not thereafter challenge the hospital's billed rates (as determined via the chargemaster) as unreasonable. *Allen v. Clarian Health Partners, Inc.*, 49SO2-1203-CT-140 (Ind. 2012).

### BACKGROUND

The plaintiffs in this case were patients who received hospital services from Clarian Health Partners, Inc. (currently known as IU Health, Inc.). Prior to receiving such services, each patient signed a standard form contract, drafted by Clarian, which stated in relevant part:

[I]n consideration of services delivered . . . , the undersigned guarantees payment of the account, and agrees to pay the same upon discharge if such account is not paid by a private or governmental insurance carrier. (emphasis added).

Upon discharge, the patients were billed for their respective services based upon Clarian's chargemaster pricing. The patients did not request a hardship waiver of all or part of the hospital charges, and they did not pay the hospital bill. Instead, they filed a civil suit in the Marion Superior Court alleging that the patients are obligated to pay only a "reasonable price" for the services received because: 1) the hospital's patient financial agreement did not specify a dollar amount for services rendered; and/or 2) the agreement did not specifically reference an obligation to pay the hospital's chargemaster rates. The Marion Superior Court determined that the patients failed to state a claim upon which relief could be granted and dismissed the case. Upon appeal, the Indiana Court of Appeals reversed the trial court's judgment and remanded the case for a determination of "reasonable charges".

### KEY FINDINGS

In a unanimous decision, the Supreme Court vacated the appellate court's decision and affirmed the dismissal by the trial court. The court's conclusions were as follows:

- Generally, if a contract is uncertain as to price, then our courts may impute a reasonable price. However, a contract need not declare a specific dollar amount in order to be enforceable, and the price can be "given precision by usage of trade or by course of dealing between the parties."
- Citing the amicus curiae brief of the Indiana Hospital Association, the Supreme Court noted that because prediction of the precise price of hospital services costs is "close to impossible", each hospital "sets its own chargemaster rates and each chargemaster is unique." Thus, it is widely recognized that the chargemaster serves as the central basis for hospital billing practices.
- A patient's agreement to pay "the account" pursuant to the hospital's patient financial agreement refers to the hospital's chargemaster pricing. Therefore, the court may not impute a "reasonable" price term into the agreement.

### CONCLUSION

This important decision may serve to maintain the integrity of the hospitals' long-standing billing system and may chill the enthusiasm of self-pay, out-of-network patients and other payors who seek a different obligation to pay a hospital for services rendered by challenging the reasonableness of the hospital's billed rates.

Should you have any questions, please do not hesitate to contact Angela M. Smith at [asmith@hallrender.com](mailto:asmith@hallrender.com) or 317.977.1448 or your regular Hall Render attorney.