

# Commercial Sector Prices Fact Sheet



**The prices paid to providers, particularly large hospital systems, are driving up the cost of health care for those with private health insurance.**

- Between 2015 and 2019, prices were the primary driver of increased health care spending among the privately insured population, with average prices increasing by 18% while utilization increased by only 3.6%.<sup>1</sup>
- Prices for privately insured Americans are much higher than prices in public programs, since private payers have less of an ability to constrain prices than government payers do. On average, hospitals charge privately insured patients almost 2.5 times more than what Medicare pays for the same service, with some hospitals charging over 4.5 times what Medicare would pay.<sup>2</sup>
- Certain physician specialties are also able to charge excessive prices. For example, anesthesiologists charge privately insured patients 3.5 times what Medicare would pay on average.<sup>3</sup>
- If the prices hospitals could charge were limited to 2 times what Medicare pays, it could reduce premiums for Americans with private insurance by \$889 billion over the next decade.<sup>4</sup>

**The excessive prices charged to patients are often set arbitrarily and are irrationally high.**

- Prices vary widely within a given market for the same service. In El Paso, Texas, depending on the provider you visit, prices for the same blood test ranged from \$144 to \$952. Prices also vary substantially across markets – that same blood test is only \$25 in Portland, Oregon.<sup>5</sup>
- One study found prices vary more within a given health system and within a given state than across systems and states.<sup>6</sup> In Boston, the price of a vaginal delivery can be \$11,272 higher or lower depending on the hospital.<sup>7</sup>

**\$144 - \$952**

**PRICES FOR THE  
SAME BLOOD TEST**

**in El Paso, Texas.**

***Prices vary widely  
within a given  
market for the  
same service.***



**Americans are charged higher health care prices than anywhere else in the world.**

- The average price of heart bypass surgery in the United States is \$78,100, compared to \$24,440 in the U.K. and \$32,010 in Switzerland.<sup>8</sup>
- In the United States, health spending exceeds \$11,000 per person, while other countries like Sweden, Japan, and Australia spend less than \$5,800, but Americans do not have better health outcomes on average.<sup>9,10</sup>

**Prices are high because hospitals and providers leverage their market power to charge the highest prices they can. As hospitals and providers become more consolidated, they gain more market power to charge even higher prices.**

- Nearly 90% of health care provider markets are highly concentrated, according to U.S. Federal Trade Commission (FTC) standards.<sup>11</sup>
- Many studies have documented an increase in commercial health care prices ranging from 6% to as high as 65% following hospital mergers.<sup>12,13</sup> Not only do merged hospitals increase their prices — their nearby competitors raise their prices as well. In one study, neighboring hospitals increased prices by 8%.<sup>14,15</sup>
- Certain actors are increasingly taking advantage of regulatory loopholes and market failures to increase their revenues. For example, private equity (PE) firms increase consolidation in some health care markets and increase prices. The number of reported private equity deals increased by more than 150% from 2010 (352) to 2020 (957).<sup>16</sup>
- Evidence indicates that anesthesiologists employed by PE-owned companies had prices that were over 2.5 times higher than non-PE-employed anesthesiologists.<sup>17</sup>

---

**6% - 65%**

The range of **INCREASE**  
**IN COMMERCIAL**  
**HEALTH CARE PRICES**

following hospital  
mergers.



**Providers have justified consolidation by saying it improves quality, but the evidence shows otherwise.**

- Although provider consolidation results in price increases, it does not result in associated gains in quality. Most studies have shown little to no effect on quality, with some studies even showing that quality decreased.<sup>18,19,20,21</sup>
- Consolidated health care markets have been linked to worse health outcomes. One study conducted by the FTC found that when cardiology markets are concentrated, cardiology patients are more likely to have heart attacks, visit the emergency room, be readmitted to the hospital or die.<sup>22</sup>

**Providers argue they must charge high prices to privately insured patients to compensate for lower Medicare/Medicaid reimbursements but this is not true.**

- On average, hospital prices in the private insurance market are about 150% of hospital costs.<sup>23</sup>
- Medicare Payment Advisory Commission (MedPAC) analyses have found that costs rise with prices. When hospitals receive high commercial payments, they have higher costs per patient because they have less incentive to operate efficiently.<sup>24,25</sup>
- For example, hospitals with low profits from private payers between 2009 and 2013 had a cost per case that was 9% less than the national median and generated an overall Medicare profit margin of 6%. In contrast, hospitals with high profits from private payers over the same period had a cost per case that was 2% above the national median and generated an overall Medicare profit margin of -8%.<sup>26</sup>
- Put another way, some of the wealthiest hospitals in the country appear to have the lowest Medicare margins because they have no incentive to be efficient.

---

**50%**

The average amount by  
which hospital **PRICES**  
**IN THE PRIVATE**  
**MARKET EXCEED**  
hospital costs.



## Consumers ultimately bear the brunt of rising health care prices.

- Offering health care benefits is a core value for many employers, but excessively high prices force employers to pass a greater share of health insurance costs onto employees and their families. Over a quarter covered workers are now enrolled in high deductible health plans.<sup>27</sup>
- 4 in 10 adults with employer-sponsored health insurance report having problems affording their medical bills.<sup>28</sup>
- Economists have also connected rising health care costs to stagnant workers' wages — money that would have gone to higher wages has instead gone toward the cost of providing health benefits. In the last decade, average family premiums increased (47%) at least twice as fast as household income (17%) and inflation (13%).<sup>29,30,31</sup>
- Medical debt is the predominate form of debt in the U.S., with an estimated total of \$195 billion in collections.<sup>32</sup>
- Despite major expansions in health insurance coverage in the last decade, nearly 1 in 5 adults in the U.S. owes medical debt and that burden is not equally distributed: Black Americans, individuals with disabilities, and those living in the South are most likely to face significant medical debt.<sup>33</sup>
- High prices and the fear of medical debt are prompting more people to put off medical care; 1 in 11 adults in the U.S. reported cost-related reasons for delaying or forgoing care.<sup>34</sup>

# \$195 BILLION

The estimated total of  
**MEDICAL DEBT** –  
the most prominent  
form of debt –  
in the U.S.



# +47%

The amount by which average  
**FAMILY PREMIUMS**  
**HAVE INCREASED**  
in the last decade – at least  
twice as fast as household  
income (17%) and inflation (13%).

# 4.5X

The amount by which some  
**HOSPITALS CHARGE**  
**PRIVATELY**  
**INSURED**  
compared to what  
Medicare pays.



1. Hargraves, John, Jessica Chang, Kevin Kennedy, Aditi Sen, Debra Bozzi. 2021. "2019 Health Care Cost and Utilization Report." *Health Care Cost Institute*. [https://healthcostinstitute.org/images/pdfs/HCCI\\_2019\\_Health\\_Care\\_Cost\\_and\\_Utilization\\_Report.pdf](https://healthcostinstitute.org/images/pdfs/HCCI_2019_Health_Care_Cost_and_Utilization_Report.pdf)
2. Whaley, Christopher M., Brian Briscoombe, Rose Kerber, Brenna O'Neill, Aaron Kofner. 2020. "Nationwide Evaluation of Health Care Prices Paid by Private Health Plans: Findings from Round 3 of an Employer-Led Transparency Initiative." *RAND Corporation*. <https://employerptp.org/wp-content/uploads/2020/09/RAND-3.0-Report-9-18-20.pdf>
3. Whaley, Christopher M., Brian Briscoombe, Rose Kerber, Brenna O'Neill, Aaron Kofner. 2020. "Nationwide Evaluation of Health Care Prices Paid by Private Health Plans: Findings from Round 3 of an Employer-Led Transparency Initiative." *RAND Corporation*. <https://employerptp.org/wp-content/uploads/2020/09/RAND-3.0-Report-9-18-20.pdf>
4. Committee for a Responsible Federal Budget. 2021. "Capping Hospital Prices." *Health Savers initiative*. <https://www.crfb.org/papers/capping-hospital-prices>
5. Kennedy, Kevin, William Johnson, Sally Rodriguez, Niall Brennan. 2019. "Past the Price Index: Exploring Actual Prices Paid for Specific Services by Metro Area." *Health Care Cost Institute*. <https://healthcostinstitute.org/hcci-research/hmi-2019-service-prices?highlight=WyJZYXJpYXRpb24iXQ==>
6. Whaley, Christopher M., Brian Briscoombe, Rose Kerber, Brenna O'Neill, Aaron Kofner. 2020. "Nationwide Evaluation of Health Care Prices Paid by Private Health Plans: Findings from Round 3 of an Employer-Led Transparency Initiative." *RAND Corporation*. <https://employerptp.org/wp-content/uploads/2020/09/RAND-3.0-Report-9-18-20.pdf>
7. Kennedy, Kevin, William Johnson, Sally Rodriguez, Niall Brennan. 2019. "Past the Price Index: Exploring Actual Prices Paid for Specific Services by Metro Area." *Health Care Cost Institute*. <https://healthcostinstitute.org/hcci-research/hmi-2019-service-prices?highlight=WyJZYXJpYXRpb24iXQ==>
8. Wagner, Emma, Jared Ortaliza, Cynthia Cox. 2022. "How does health spending in the U.S. compare to other countries?" Peterson-Kaiser Health System Tracker. <https://www.healthsystemtracker.org/chart-collection/health-spending-u-s-compare-countries-2/>
9. Wagner, Emma, Jared Ortaliza, Cynthia Cox. 2022. "How does health spending in the U.S. compare to other countries?" Peterson-Kaiser Health System Tracker. <https://www.healthsystemtracker.org/chart-collection/health-spending-u-s-compare-countries-2/>
10. Schneider, Eric C., Arnav Shah, Michelle M. Doty, Roosa Tikkanen, Katharine Fields, Reginald D. Williams II. 2021. "Mirror, Mirror 2021: Reflecting Poorly. Health care in the U.S. compared to other high-income countries." *The Commonwealth Fund*. <https://www.commonwealthfund.org/publications/fund-reports/2021/aug/mirror-mirror-2021-reflecting-poorly>

- 
11. Fulton, Brent, Daniel Arnold, Richard Scheffler. 2018. "Market Concentration Variation of Health Care Providers and Health Insurers in the United States." *To the Point* (blog). The Commonwealth Fund. <https://www.commonwealthfund.org/blog/2018/variation-healthcare-provider-and-health-insurer-market-concentration>
  12. Cooper, Zack, Stuart Craig, Martin Gaynor, John Van Reenen. 2019. "The Price Ain't Right? Hospital Prices and Health Spending on the Privately Insured." *Quarterly Journal of Economics*; 134(1):51–107. <https://doi.org/10.1093/qje/qjy020>
  13. Capps, Cory, David Dranove. 2004. "Hospital Consolidation and Negotiated PPO Prices." *Health Affairs*. Vol 23. No. 2 <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.23.2.175>
  14. Dafny, Leemore. 2009. "Estimation and Identification of Merger Effects: An Application to Hospital Mergers." *Journal of Law and Economics*. Vol 52. No. 3 <https://www.journals.uchicago.edu/doi/abs/10.1086/600079>
  15. Lewis, Matthew, Kevin Pflum. 2017. "Hospital Systems and Bargaining Power: Evidence from Out-of-Market Acquisitions." *The RAND Journal of Economics*. Vol 48. Issue 3. <https://onlinelibrary.wiley.com/doi/abs/10.1111/1756-2171.12186>
  16. Scheffler, Richard M., Laura M. Alexander, James R. Godwin. 2021. "Soaring private equity in the health care sector: consolidation accelerated, competition undermined, and patients at risk." *American Antitrust Institute*. <https://www.antitrustinstitute.org/wp-content/uploads/2021/05/Private-Equity-I-Healthcare-Report-FINAL-1.pdf>
  17. La Forgia, Ambar, Amelia Bond, Robert Tyler Braun R, et al. 2022. "Association of Physician Management Companies and Private Equity Investment With Commercial Health Care Prices Paid to Anesthesia Practitioners". *JAMA Intern Med*. <https://jamanetwork.com/journals/jamainternalmedicine/article-abstract/2789280?resultClick=1>
  18. Kessler, Daniel, Jeffrey Geppert. 2005. "The Effects of Competition on Variation in the Quality and Cost of Medical Care." *Journal of Economics and Management Strategy*. Vol 14. No. 3. <https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1530-9134.2005.00074.x>
  19. Romano, Patrick, David Balan. 2011. "A Retrospective Analysis of the Clinical Quality Effects of the Acquisition of Highland Park Hospital by Evanston Northwestern Healthcare." *International Journal of the Economics of Business*. Vol 18 No. 1. 45–64. <https://doi.org/10.1080/13571516.2011.542955>
  20. Short, Marah, Vivian Ho. 2019. "Weighing the Effects of Vertical Integration Versus Market Concentration on Hospital Quality." *Medical Care Research and Review*. <https://doi.org/10.1177/1077558719828938>
  21. Beaulieu, Nancy, Leemore Dafny, Bruce Landon, Jesse Dalton, Ifedayo Kuye, Michael McWilliams. 2020. "Changes in Quality of Care after Hospital Mergers and Acquisitions." *The New England Journal of Medicine*. <https://www.nejm.org/doi/full/10.1056/NEJMsa1901383>
  22. Koch, Thomas, Brett Wendling, Nathan E. Wilson. 2018. "Physician Market Structure, Patient Outcomes, and Spending: An Examination of Medicare Beneficiaries." *Health Services Research*. Vol 53. No. 5. <https://www.ncbi.nlm.nih.gov/pubmed/29355928>
  23. Medicare Payment Advisory Commission Staff. 2016. "Meeting Highlight: Hospital Consolidation and Its Implications for Medicare." *The MedPAC Blog* (blog). Medicare Payment Advisory Commission. <https://www.medpac.gov/meeting-highlight-hospital-consolidation-and-its-implications-for-medicare/>
  24. Medicare Payment Advisory Commission. 2016. *Report to the Congress: Medicare payment policy*. Washington, DC: MedPAC. [https://www.medpac.gov/wp-content/uploads/import\\_data/scrape\\_files/docs/default-source/reports/chapter-3-hospital-inpatient-and-outpatient-services-march-2016-report-.pdf](https://www.medpac.gov/wp-content/uploads/import_data/scrape_files/docs/default-source/reports/chapter-3-hospital-inpatient-and-outpatient-services-march-2016-report-.pdf)
  25. Medicare Payment Advisory Commission. 2009. *Report to the Congress: Medicare payment policy*. Washington, DC: MedPAC. [https://www.medpac.gov/wp-content/uploads/import\\_data/scrape\\_files/docs/default-source/reports/Mar09\\_Ch02A.pdf](https://www.medpac.gov/wp-content/uploads/import_data/scrape_files/docs/default-source/reports/Mar09_Ch02A.pdf)
  26. The MedPAC Blog. 2016. Meeting highlight: hospital consolidation and its implications for Medicare. MedPAC. <https://www.medpac.gov/meeting-highlight-hospital-consolidation-and-its-implications-for-medicare/>
  27. Claxton, Gary, Matthew Rae, Gregory Young, Nisha Kurani. 2021. "2021 Employer Health Benefits Survey." *Kaiser Family Foundation*. <https://files.kff.org/attachment/Report-Employer-Health-Benefits-2021-Annual-Survey.pdf>
  28. Kamal, Rabah, Matthew Rae, Cynthia Cox. 2020. "What do we know about people with high out-of-pocket health spending?" Peterson-Kaiser Health System Tracker. <https://www.healthsystemtracker.org/chart-collection/know-people-high-pocket-spending/>
  29. Claxton, Gary, Matthew Rae, Gregory Young, Nisha Kurani. 2021. "2021 Employer Health Benefits Survey." *Kaiser Family Foundation*. <https://files.kff.org/attachment/Report-Employer-Health-Benefits-2021-Annual-Survey.pdf>
  30. United States Census Bureau. 2011. *Income, Poverty and Health Insurance Coverage in the United States: 2010*. <https://www.census.gov/library/publications/2011/demo/p60-239.html>
  31. United States Bureau of Labor Statistics. 2022. *Consumer Price Index Calculator*. [https://www.bls.gov/data/inflation\\_calculator.htm](https://www.bls.gov/data/inflation_calculator.htm)
  32. Kluender, Raymond, Neale Mahoney, Francis Wong, Wesley Yin. 2021. "Medical Debt in the US, 2009–2020." *JAMA*. Vol. 326 No. 3. <https://jamanetwork.com/journals/jama/article-abstract/2782187>
  33. Rae, Matthew, Gary Claxton, Krutika Amin, Emma Wagner, Jared Ortaliza, Cynthia Cox. 2022. "The burden of medical debt in the United States" Peterson-Kaiser Health System Tracker. <https://www.healthsystemtracker.org/brief/the-burden-of-medical-debt-in-the-united-states/>
  34. Ortaliza, Jared, Lucas Fox, Gary Claxton, Krutika Amin. 2022. "How does cost affect access to care?" Peterson-Kaiser Health System Tracker. <https://www.healthsystemtracker.org/chart-collection/cost-affect-access-care/>
-