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%.\(^1\)

- 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.\(^2\)

- 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.\(^3\)

- 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.\(^4\)

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.\(^5\)

- One study found prices vary more within a given health system and within a given state than across systems and states.\(^6\) In Boston, the price of a vaginal delivery can be $11,272 higher or lower depending on the hospital.\(^7\)

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.\(^8\)

- 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.\(^9,10\)
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.11
- Many studies have documented an increase in commercial health care prices ranging from 6% to as high as 65% following hospital mergers.12,13 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%.14,15
- 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).16
- Evidence indicates that anesthesiologists employed by PE-owned companies had prices that were over 2.5 times higher than non-PE-employed anesthesiologists.17

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.18,19,20,21
- 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.22

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.23
- 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.14,25
- 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%.26
- 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.
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.27
- 4 in 10 adults with employer-sponsored health insurance report having problems affording their medical bills.28
- 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%).29,30,31
- Medical debt is the predominate form of debt in the U.S., with an estimated total of $195 billion in collections.32
- 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.33
- 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 foregoing care.34

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$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.

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