Hospital Pricing, Affordability Challenges, and Potential Solutions

NAIC Spring Meeting 2026, Health Care Affordability and Mitigation Workgroup

Presented by:

- Adam Fox, Deputy Director, Colorado Consumer Health Initiative
- Lindsey Murtagh, Distinguished Senior Fellow, Brown University

Hospital Prices

- Hospitals accounted for 32% of healthcare cost growth 2005-2024 = $1 Trillion in increased cost
  - 61% of cost growth attributable to increased prices
  - Hospitals accounted for 40% of healthcare cost growth 2022-2024
- Over 40% of premiums go to hospital based care
- Hospital prices for inpatient care paid by private insurance have grown at twice the rate as for Medicaid/Medicare

Consolidation

- Consolidation shown to lead to higher prices
- By 2022 97% of metro areas had highly concentrated hospital markets
- Nearly half (47%) of metro areas have only one or two hospitals/ health systems providing inpatient care.
- Vertical consolidation and private equity growing
- Consolidation correlated with increases in medical debt
- Health Care Affordability Lab: interactive map of hospital market concentration

Potential Solutions

- Hospital Financial & Ownership Reporting/Transparency
  - Accountability/oversight for nonprofit hospitals
- Site-neutral payments / Addressing facility fees
- Additional state oversight in mergers, acquisitions, and private equity or prohibiting corporate practice of medicine
- Setting premium targets and benchmark reimbursement rates

Price Controls - Rhode Island Experience

- Using rate review authority, RI adopted Affordability Standards with the dual goal of improving primary care investment and reducing costs. Among other things, requires review and prior approval if average hospital reimbursement rate increases exceed the set growth rate (inflation + 1%).
  - Applies to fully-insured market.
  - Associated with an average 9.1% reduction in hospital prices.
  - Reduced premiums by $1,000 per member per year.
  - Reduced hospital revenues by nearly $160 million annually.
    - RI hospital margins below national average
  - Price reductions realized in both fully-insured and self-insured markets, but premium impact only felt on fully-insured.

Price Controls - Oregon Experience

- OR capped hospital facility prices for 24 large, urban hospitals with respect to the state employee plan at % of Medicare (200% for in-network, 185% for OON)
  - Reduced facility prices. Impact varied based on hospital's initial prices.
  - Produced ~$107.5 million (4% of total plan spending) in savings over first 2 years, 3 months
  - 9.5% reduction in out-of-pocket spending, accompanied by increase in utilization of outpatient procedures
  - No significant impact on hospital finances, operations and patient experience
    - Unclear if this would generalize to a cap applied to the broader market

Price Controls - Recent State Activity

- **VT:** Requires Green Mountain Care Board to cap hospital payment rates at % of Medicare. Board must ensure savings are passed to consumers. Allows Board to set minimum payment floors for non-hospital services. Transition to global hospital budget in 2030.
- **IN:** Requires non-profit hospitals to bring aggregate average hospital prices below statewide average by June 2029 or lose nonprofit status.
- **WA:** Caps state employee health plan hospital payments at % of Medicare rates (200% for in-network and 185% for OON). Exempts CAHs and certain other hospitals. Establishes payment minimums for primary care, BH, and CAHs. Requires savings be passed to consumers.

Price Controls - Key Policy Considerations

- How is the limit structured? (Flat cap, growth cap)
- Is the limit set at the right level?
  - Too high: Limits savings, hospitals may raise rates
  - Too low: Could negatively impact hospitals' viability
- Does one size fit all? Do some areas need investment?
- Is there a mechanism to ensure the savings get passed to consumers?
- Is there a provision to ensure that hospitals don't increase other prices up to the cap level?

Citations/links

- Blackburn et al. Impact of Health System Affordability and Access for Consumers. https://content.naic.org/sites/default/files/national_meeting/Consumer%20Handout_Agenda%203_Westerson_Blackburn_Culp_Hospital%20Consolidation.pdf
- Godwin J et al. Hospital Spending Accounted for 40% of the Growth in National Health Spending Between 2022 and 2024. KFF. (2026). https://www.kff.org/health-costs/hospital-spending-accounted-for-40-of-the-growth-in-national-health-spending-between-2022-and-2024/
- Health Care Costs 101: Why Rising Hospital Costs Keep Pushing Consumers' Premiums Higher. AHIP. (2026). https://www.ahip.org/news/articles/health-care-costs-101-why-rising-hospital-costs-keep-pushing-consumers-premiums-higher
- Fulton BD. Health Care Market Concentration Trends in the United States: Evidence and Policy Responses. Health Affairs. Sept. 2017 36(9):1530–38. https://doi.org/10.26099/e365-2k72
- Schwartz et al. What We Know About Provider Consolidation. KFF (2020). https://www.kff.org/health-costs/what-we-know-about-provider-consolidation/

Citations/links

- Johnson et al. Is Hospital Market Concentration Related to Medical Debt? Urban Wire (2024). https://www.urban.org/urban-wire/hospital-market-concentration-related-medical-debt#:~:text=At%20the%20same%20time%2C%20health,health%20care%20bills%20on%20time
- Rhode Island Office of the Health Insurance Commissioner. Affordability Standards. https://ohic.ri.gov/policy-reform/affordability-standards
- Hostert N et al. Rhode Island's Health Care Affordability Standards: Lessons for Other States Seeking to Control Health Care Spending. Milbank Memorial Fund. (2025). https://www.milbank.org/publications/rhode-islands-health-care-affordability-standards-lessons-for-other-states-seeking-to-control-health-care-spending
- Ryan AM et al. Rhode Island's Affordability Standards Led To Hospital Price Reductions And Lower Insurance Premiums. Health Affairs 2025 44:5, 597-605. https://doi.org/10.1377/hlthaff.2024.01146

Citations/links

- Hostert N. How States Strengthened Their Health Care Markets in the 2025 Legislative Session. Milbank memorial Fund (2025). https://www.milbank.org/publications/how-states-strengthened-their-health-care-markets-in-the-2025-legislative-session/
- Murray RC et al. Oregon's Hospital Payment Cap and Enrollee Out-of-Pocket Spending and Service Use. JAMA Health Forum. 2024;5(8):e242614. https://jamanetwork.com/journals/jama-health-forum/fullarticle/2822684
- Murray RC et al. Hospital Facility Prices Declined As A Result Of Oregon's Hospital Payment Cap. Health Affairs 2024 43:3, 424-432. https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.2023.01021
- Murray RC et al. Hospital Finances, Operations, And Patient Experience Remain Stable After Oregon's Hospital Payment Cap Was Implemented. Health Affairs 2025 44:12, 1482-1489. https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.2025.00682?journalCode=hlthaff