

Who Pays for Rising Health Care Prices in the US?

Evidence from hospital mergers

Zack Cooper
Yale University

What are the average insurance premiums for a family of four in the US?

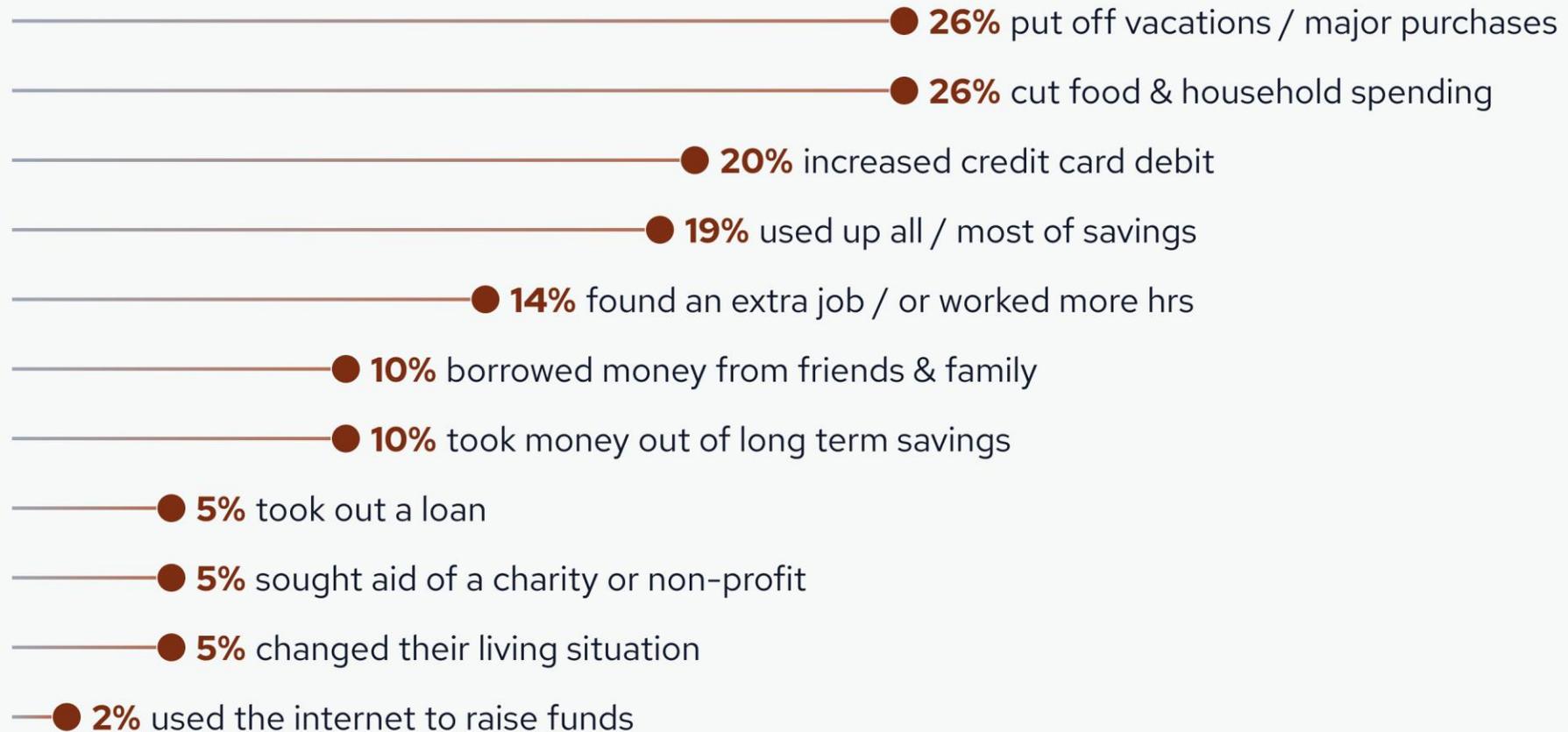


2024 Corolla

Starting MSRP \$22,050*

Decisions made in order to pay for health care or insurance costs

% of all adults with ESI who, in the past 12 months,



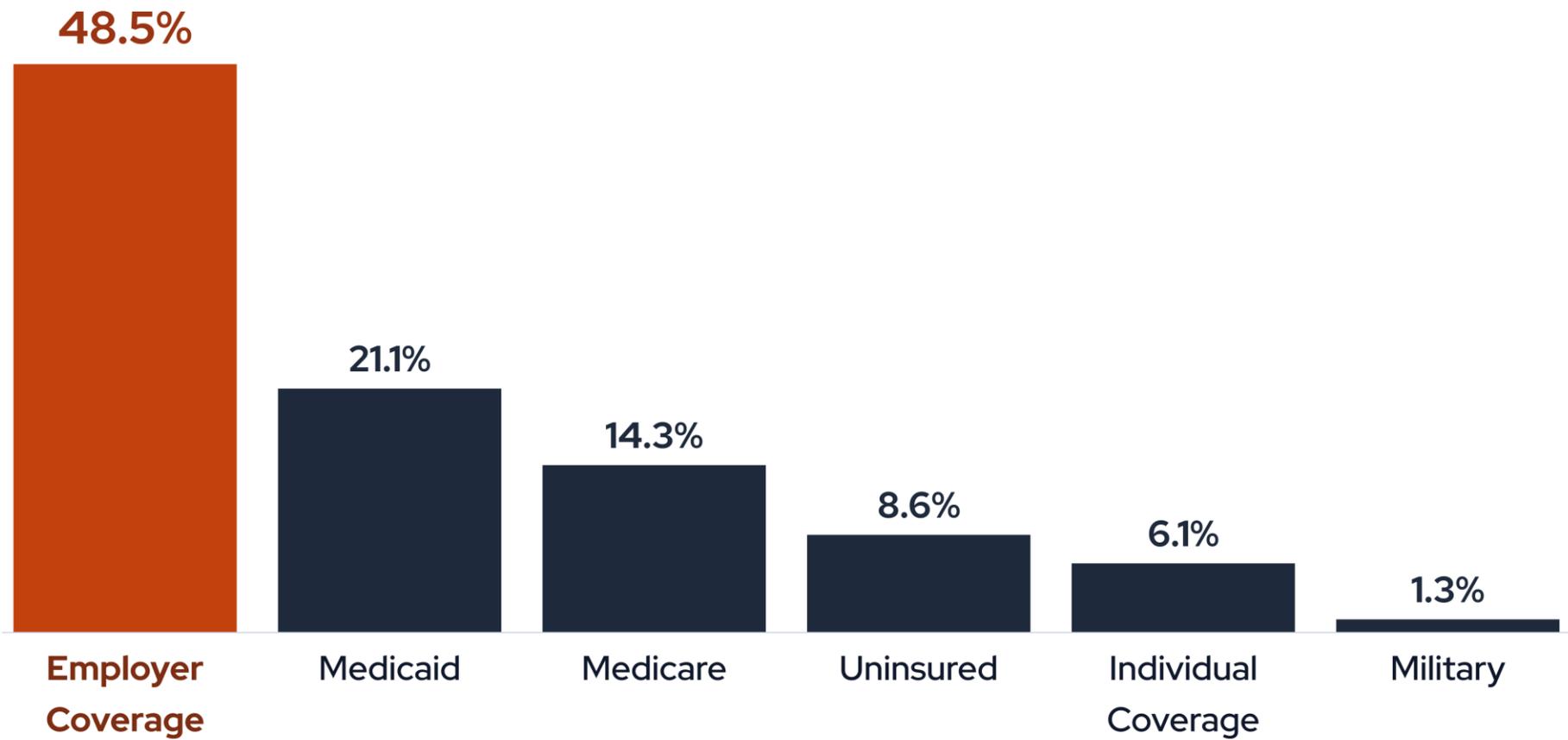
Source: KFF/LA Times Survey of Adults with Employer-Sponsored Health Insurance (Sept 25 - Oct 9 2017)

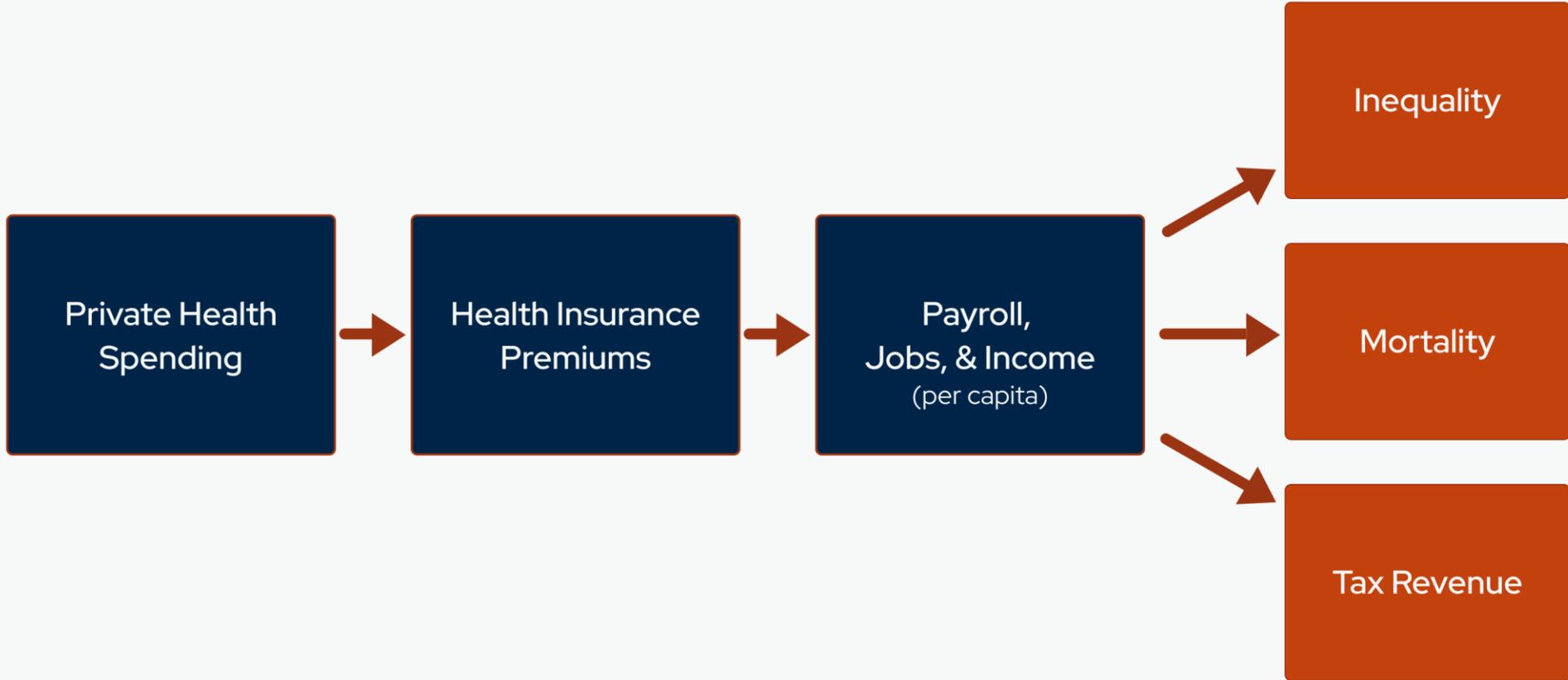
Peterson-KFF

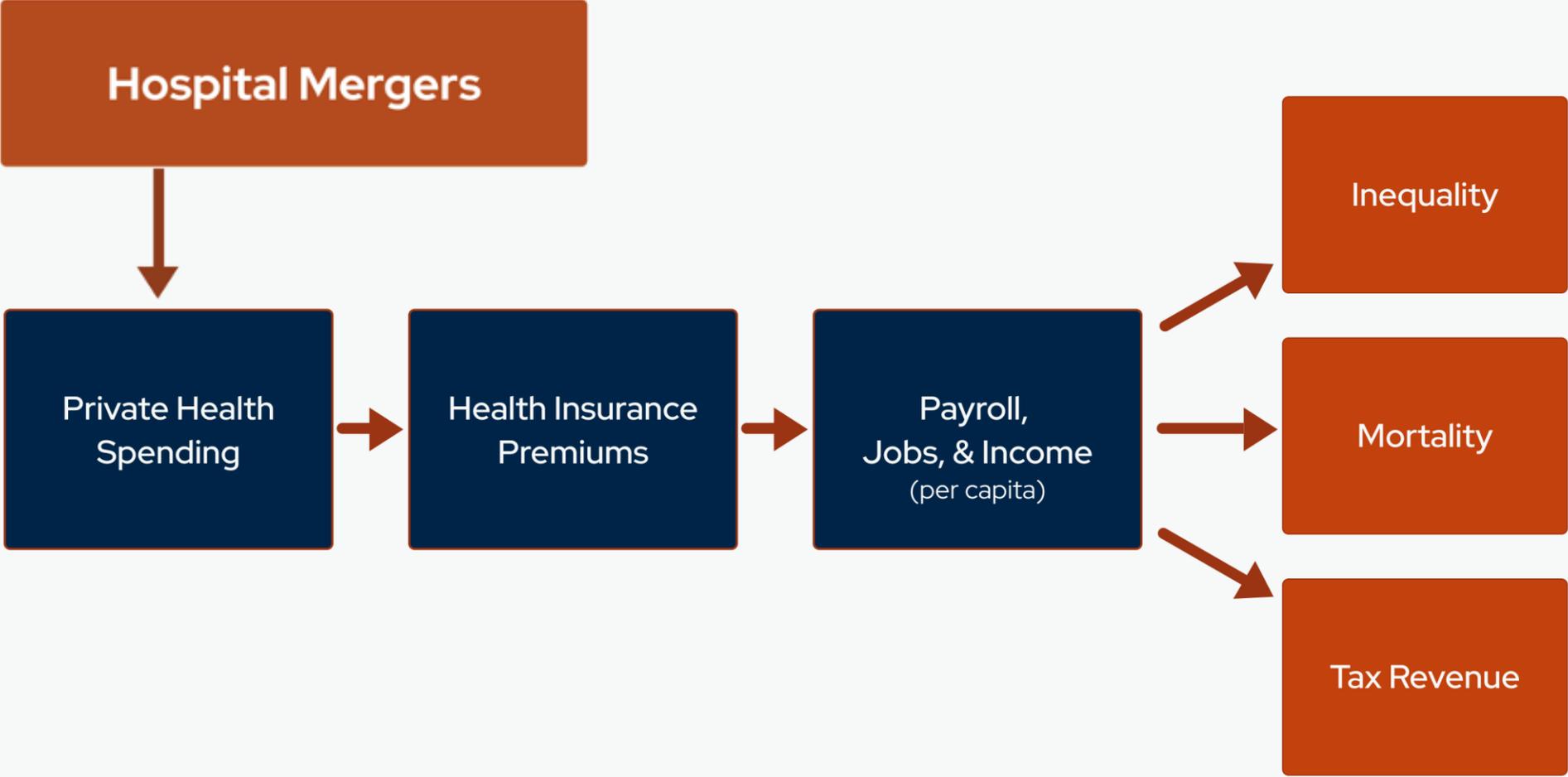
Health System Tracker

The US health care system is a wrecking ball, destroying the labor market for less educated workers

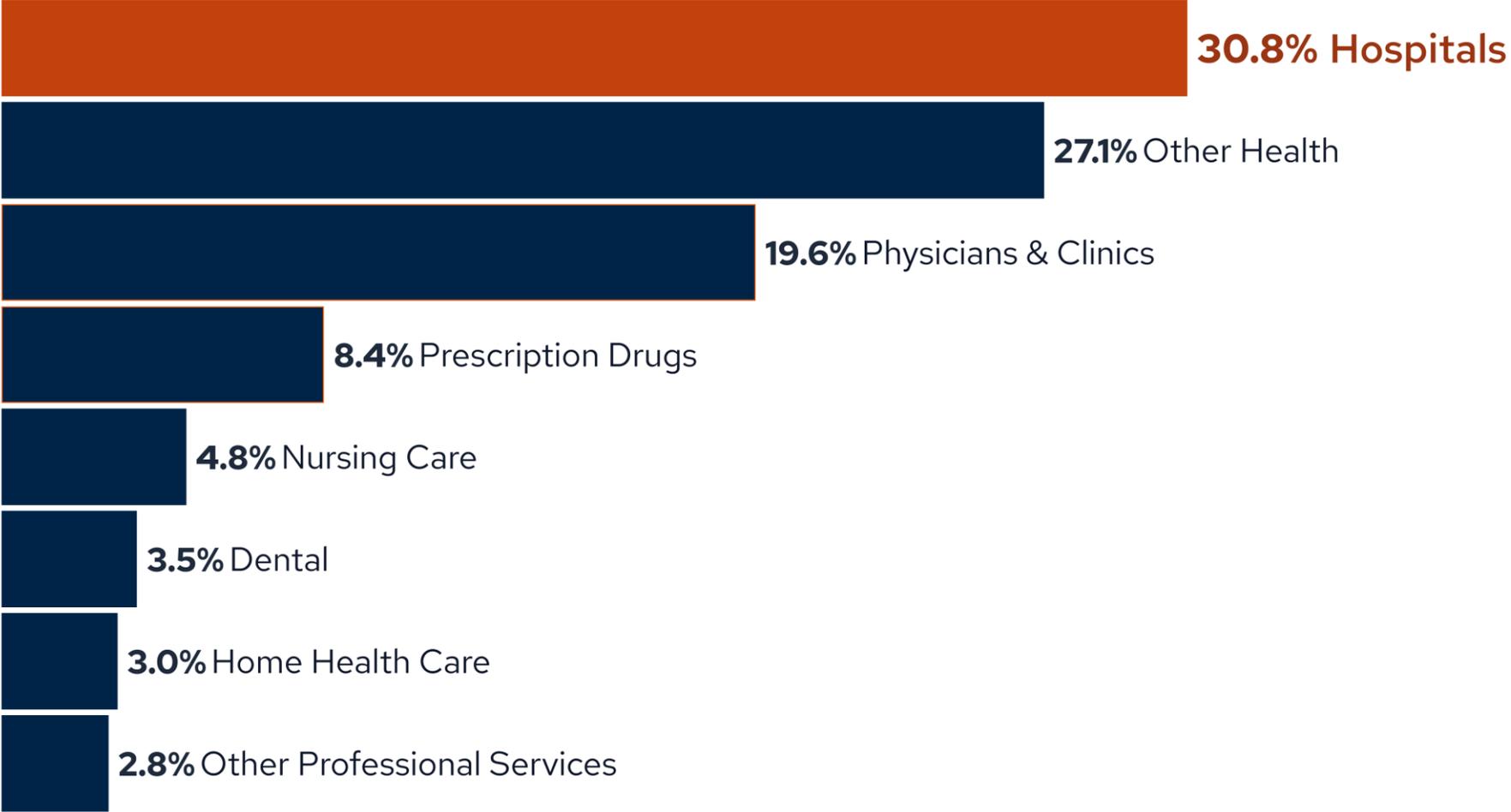
Anne Case and Angus Deaton, 2020







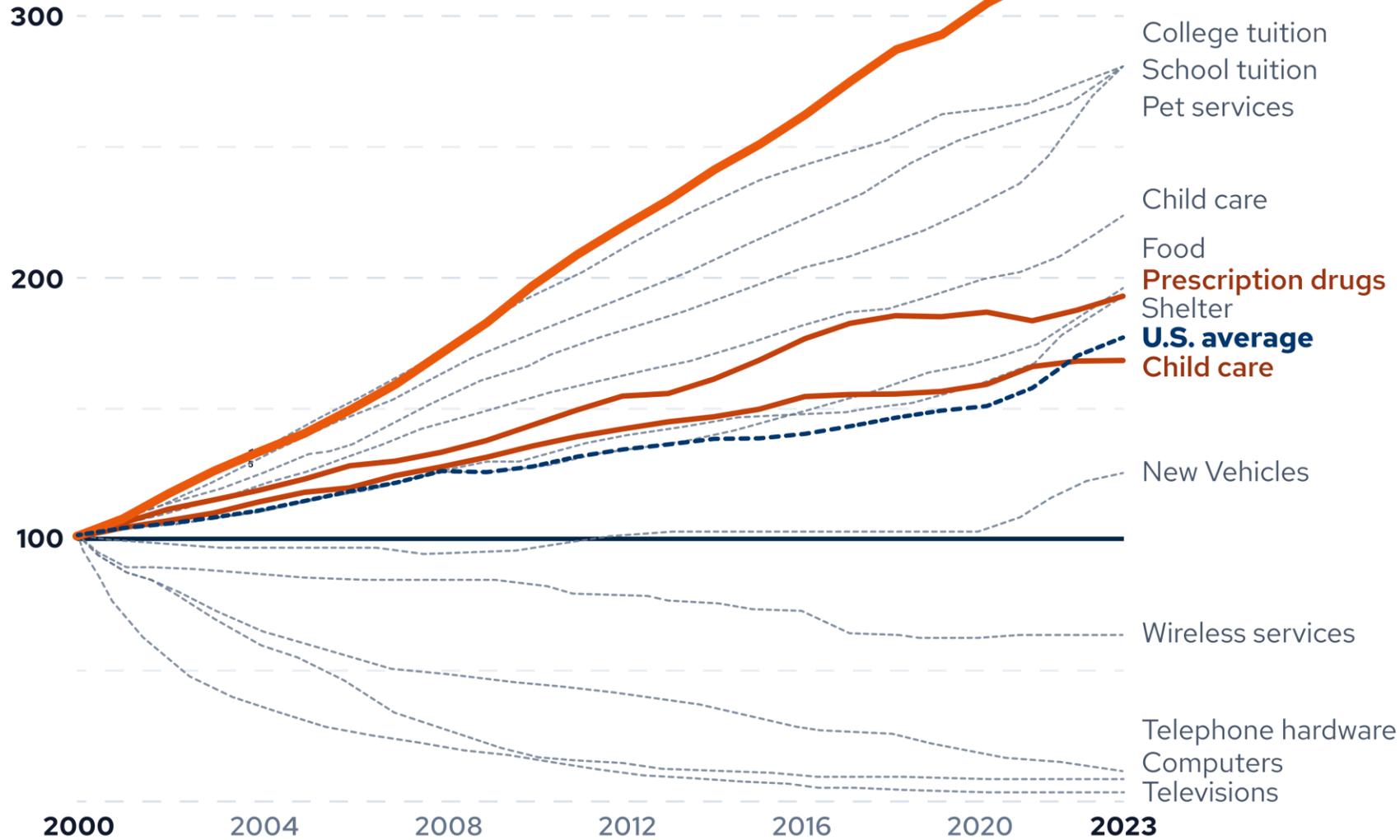
Percent of health care spending by category



Source: Kaiser Family Foundation

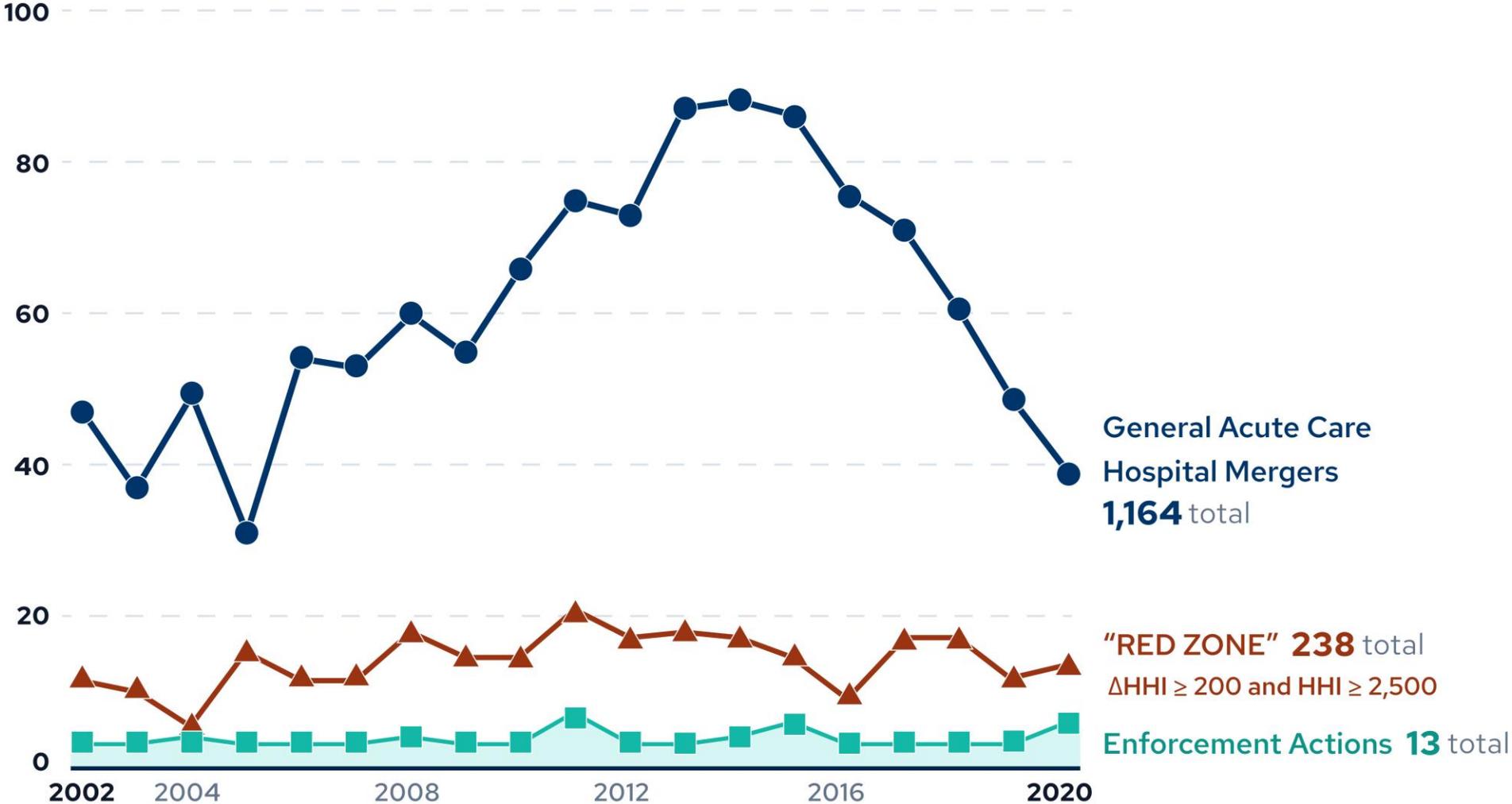
Consumer Price Index, 2000 to 2023

Year 2000 = 100



Source: Bureau of Labour Statistics

Annual Mergers, 2002 - 2020



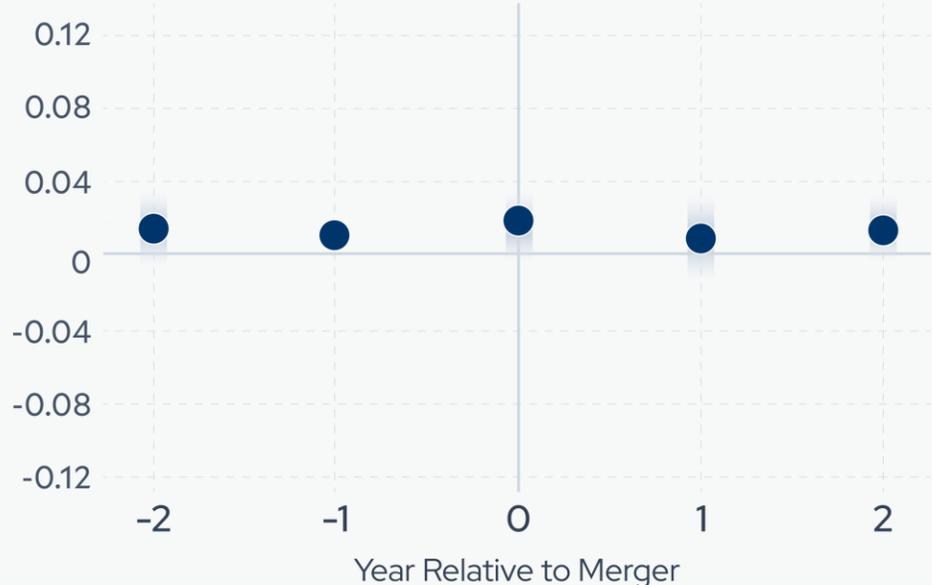
Source: Brot-Goldberg, Cooper, Craig, and Klarnet, 2024

Mergers that lessen competition raise prices

Panel 1:

$\Delta HHI \geq 200$ and **Post-Merger HHI $\geq 2,500$**

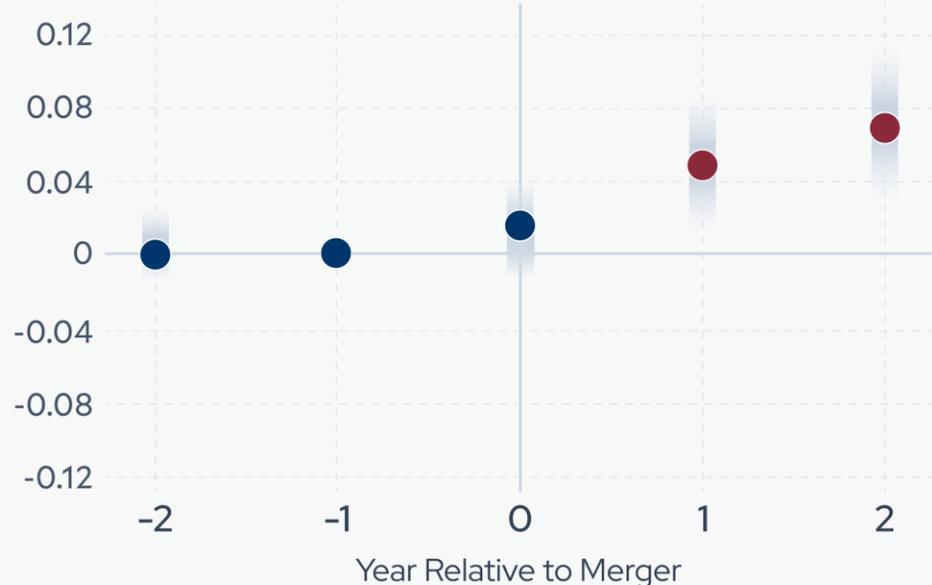
Merger Price Effect



Panel 2:

$\Delta HHI \geq 200$ and **Post-Merger HHI $\geq 2,500$**

Merger Price Effect



Source: Cooper et al., 2024

Hospital Mergers



AHA Survey, Irving
Levin, FactSet



**Health Care
Prices**



**Private Health
Spending**



**Health Insurance
Premiums**



**Payroll,
Jobs, & Income
(per capita)**



Tax Revenue



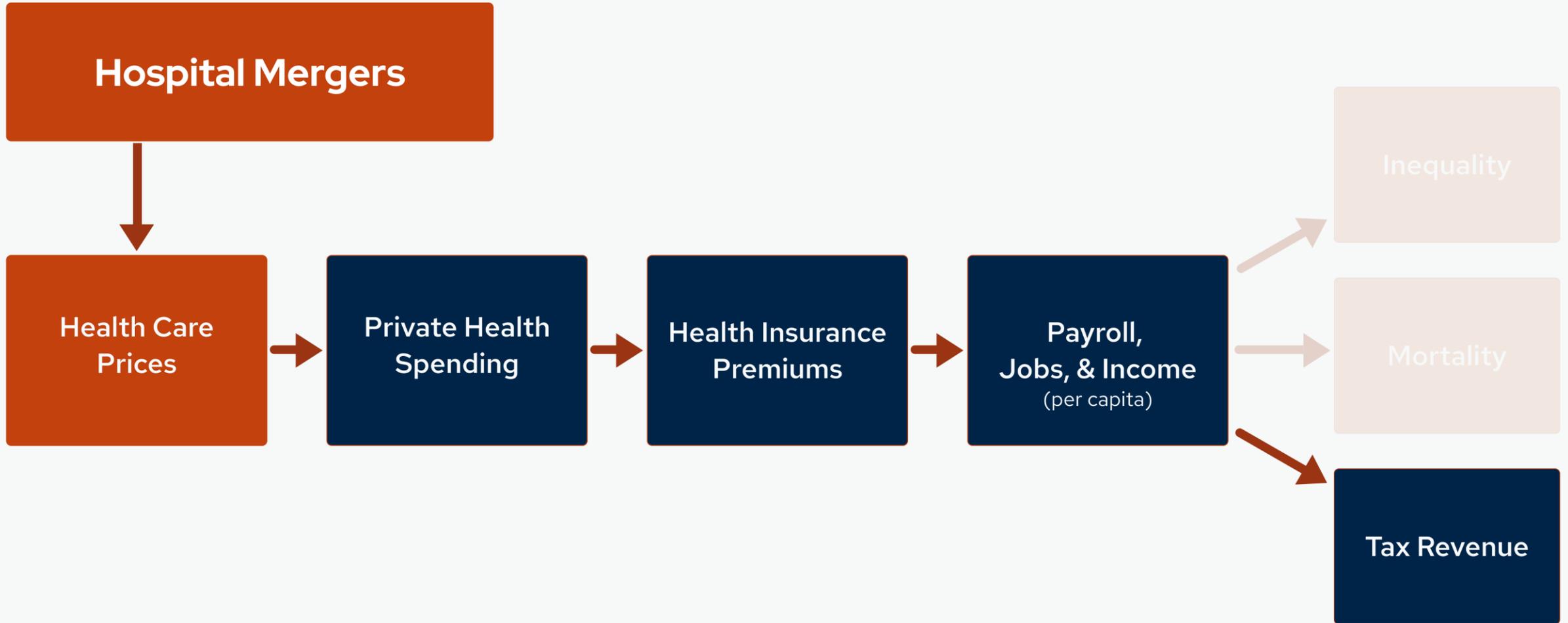
Claims data from HCCI
(~28% of ESI)



Department of
Labor's Form 5500



Universe of Tax
Returns from the IRS



Hospital Mergers

“20% of hospital mergers lessen competition and raise prices by an average of 5%”

**Health Care
Prices**

**Private Health
Spending**

**Health Insurance
Premiums**

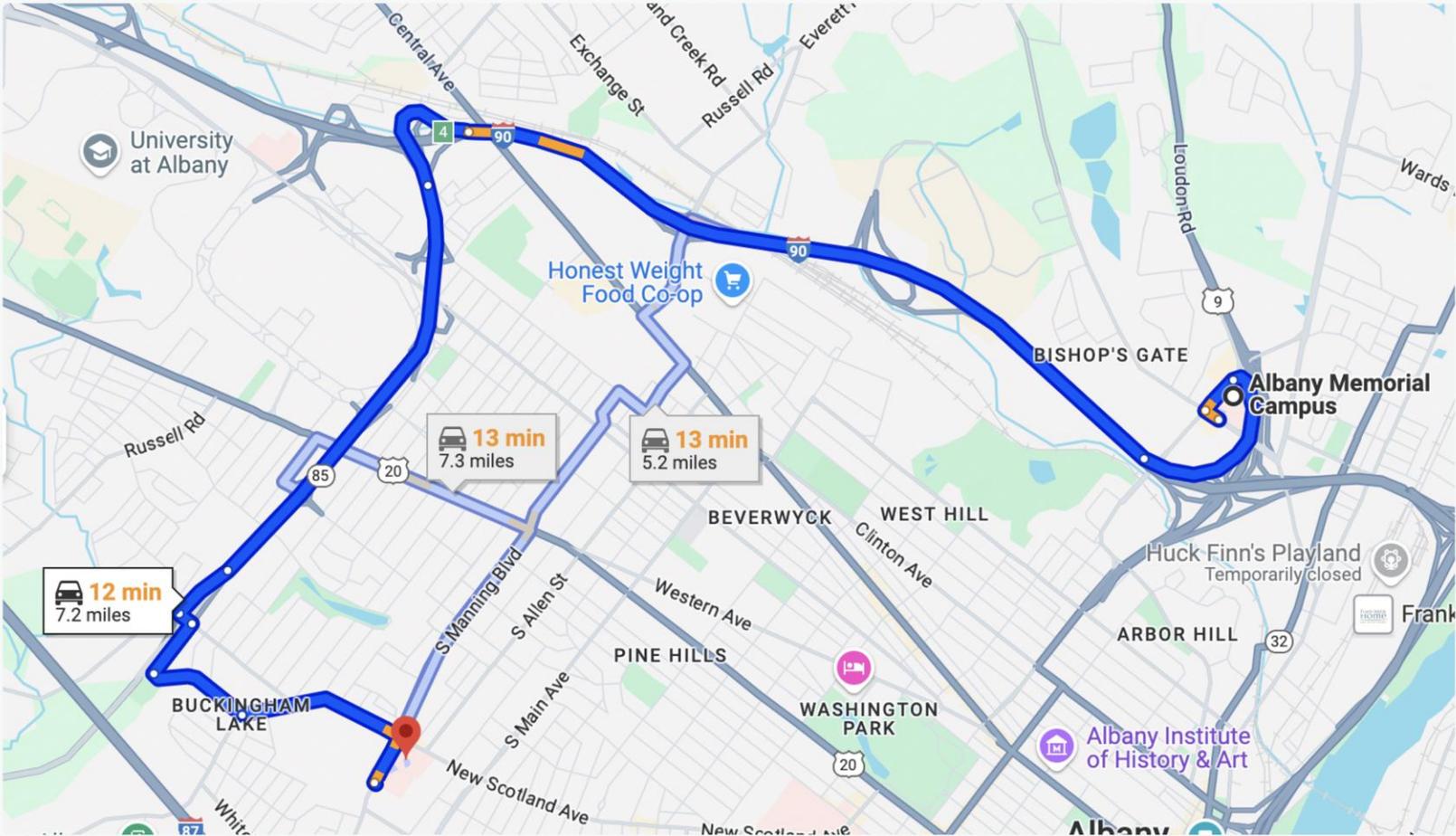
**Payroll,
Jobs, & Income
(per capita)**

Tax Revenue

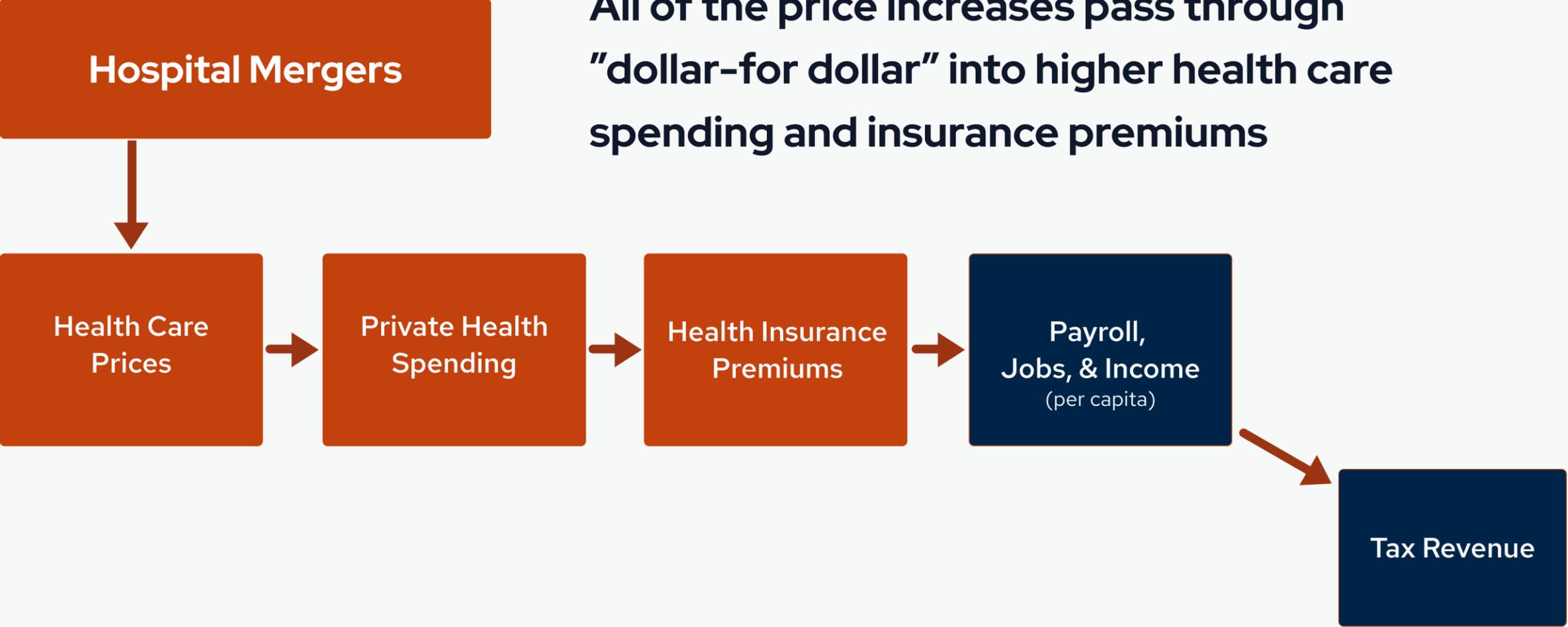
Close Mergers tend to be most problematic

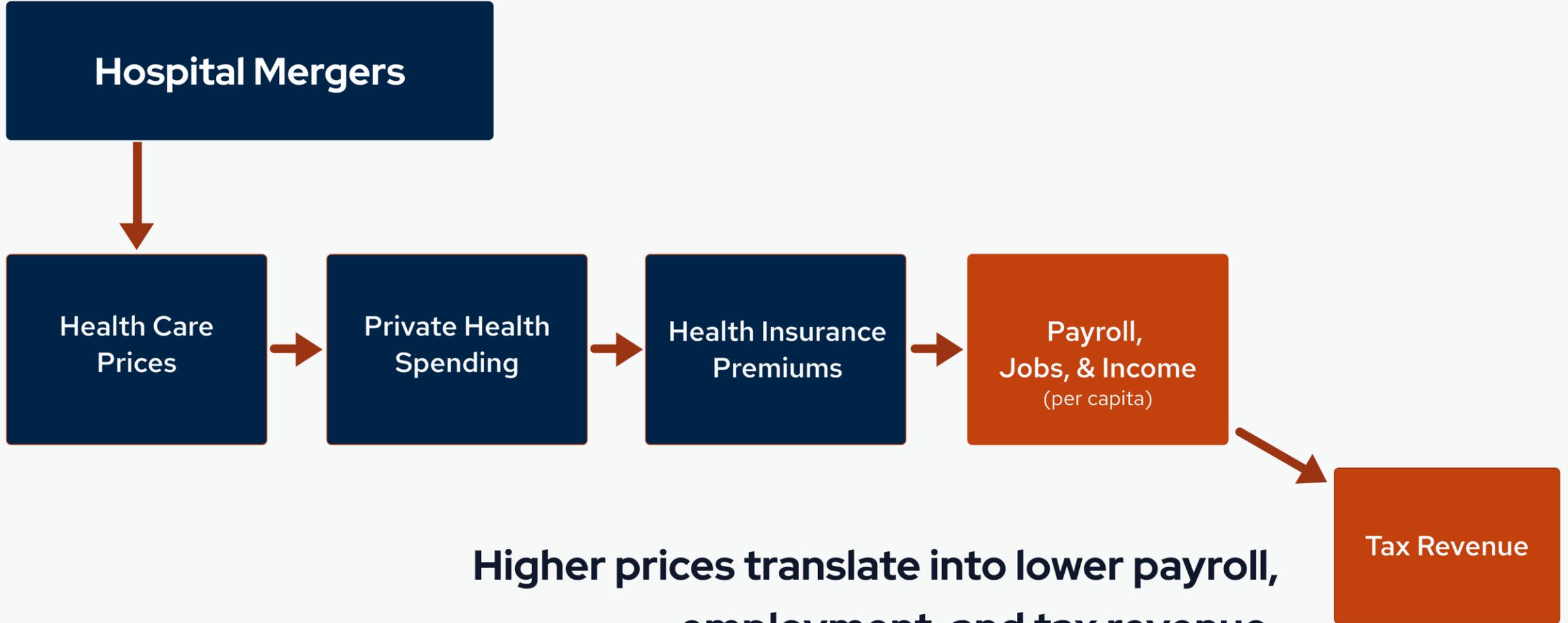
Catholic Health East (now Trinity Health) acquires Albany Memorial Hospital, in 2011.

Albany Memorial and St. Peter's Memorial are **only 12 minutes apart**
(lots of shared patients)



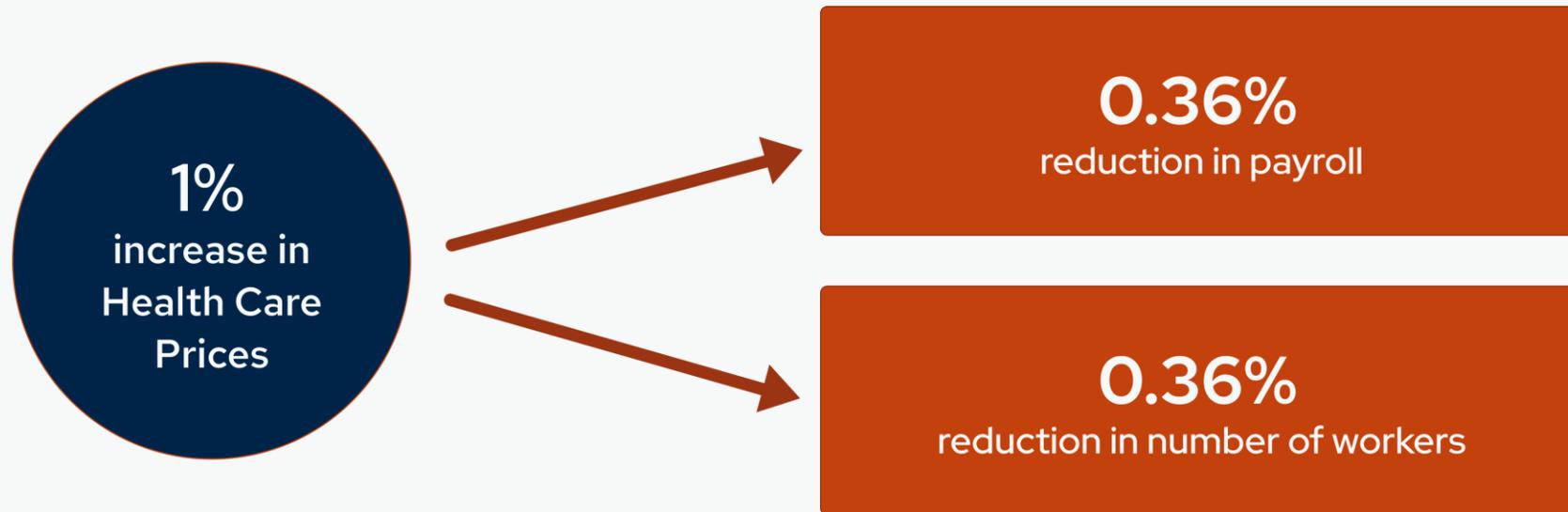
All of the price increases pass through
"dollar-for dollar" into higher health care
spending and insurance premiums





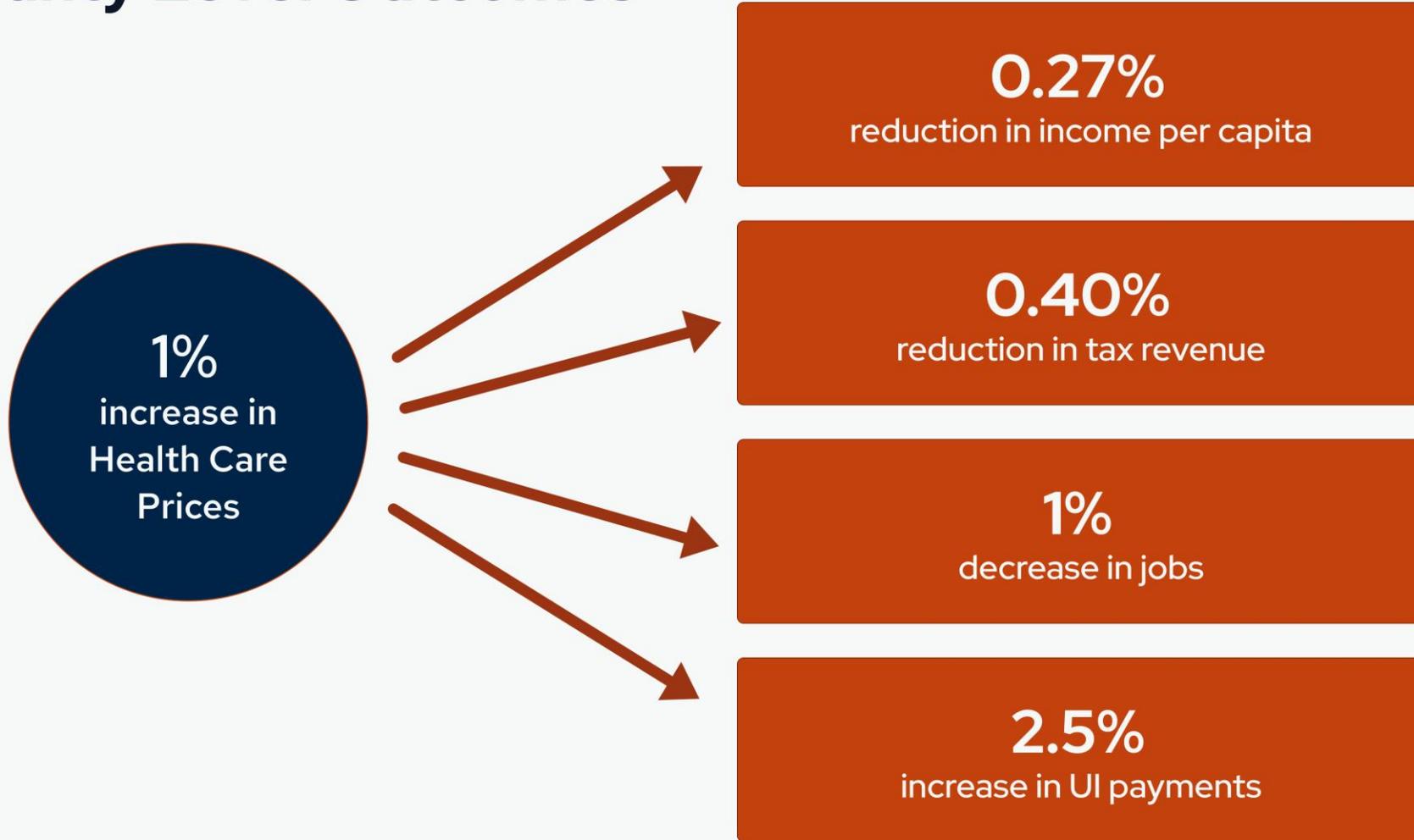
Higher prices translate into lower payroll, employment, and tax revenue

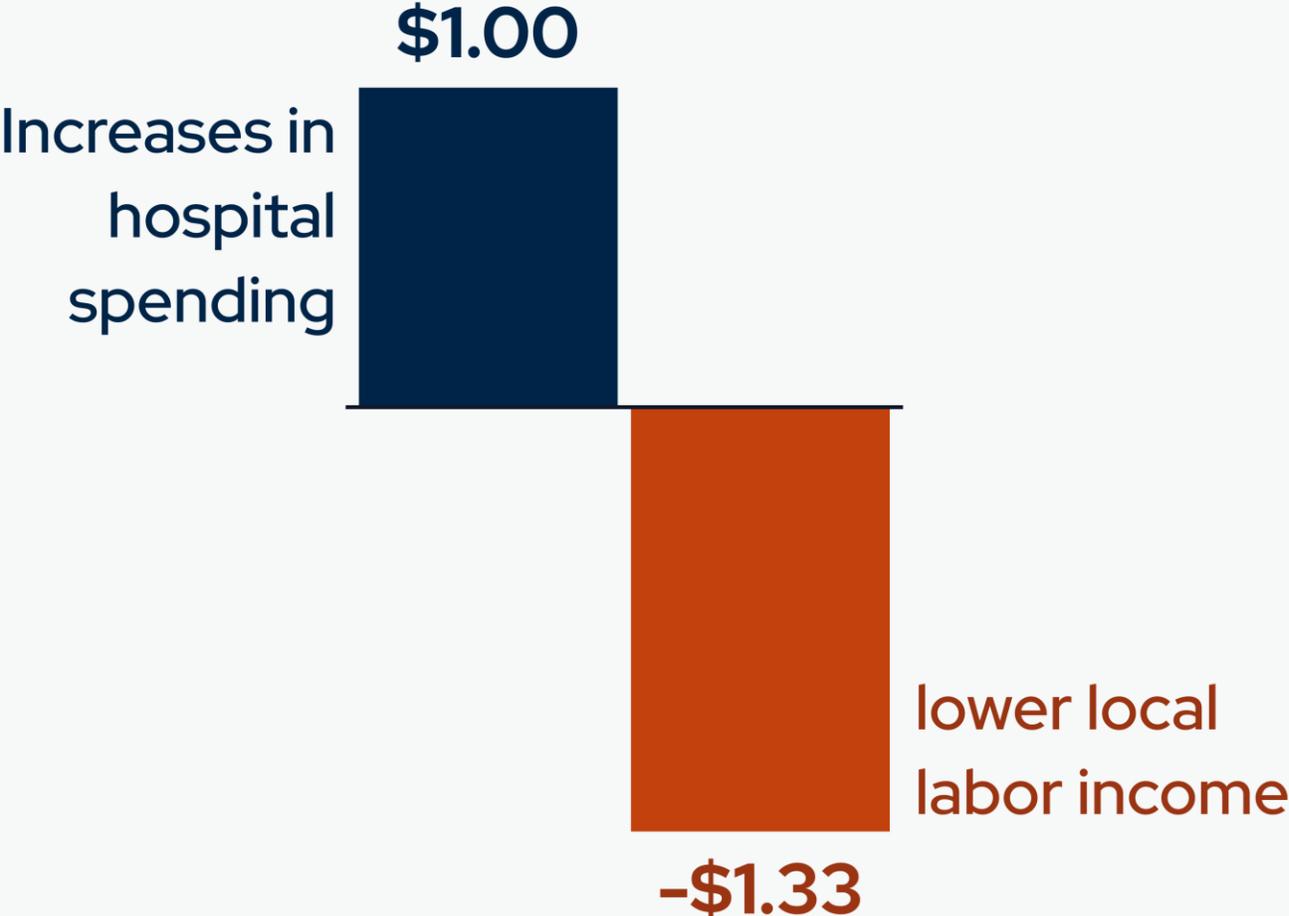
Employer Level Outcomes



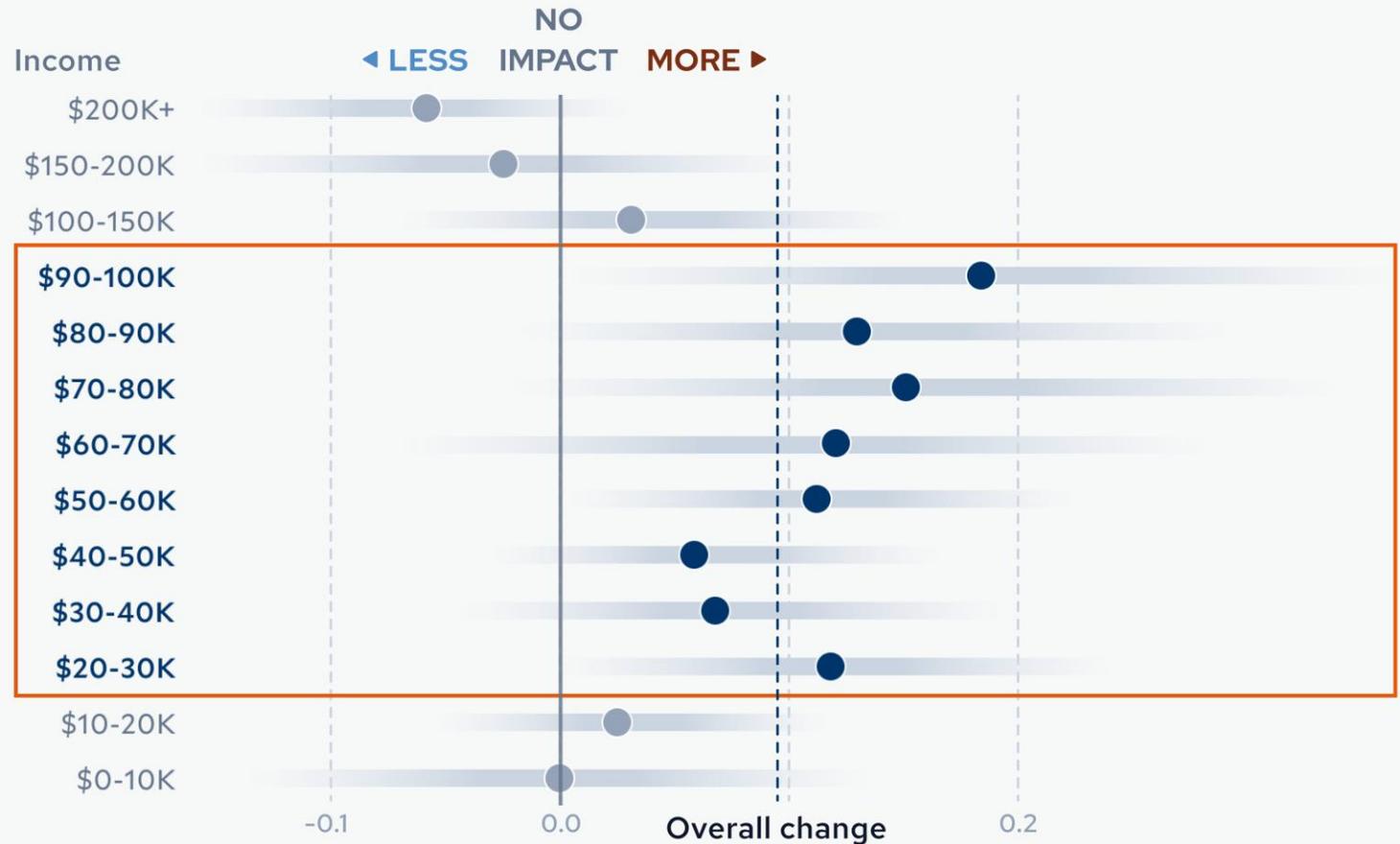
We do not see corresponding employment increases among health care firms

County Level Outcomes





Employment Effects of Rising Health Spending Are Concentrated on Workers Earning \$20k to 100k/yr



Range is approximately -0.1 to 0.3, including 95% confidence intervals

Hospital Mergers

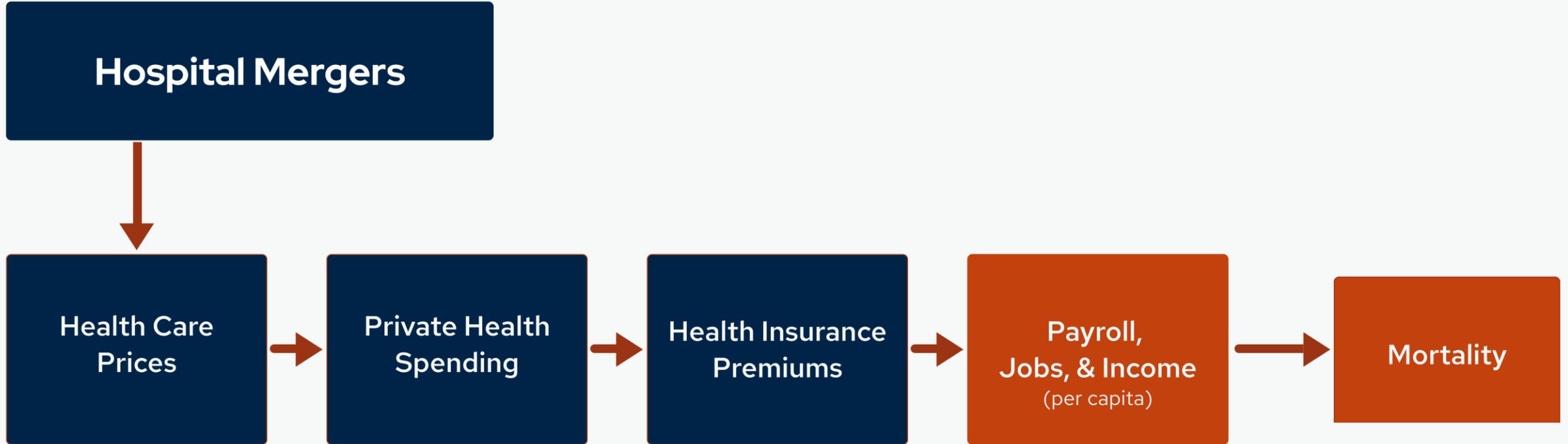
**Health Care
Prices**

**Private Health
Spending**

**Health Insurance
Premiums**

**Payroll,
Jobs, & Income
(per capita)**

Mortality



Job Loss

Job loss, particularly for men, can lead to substantial increases in mortality

Study	Setting	Mortality Rate
Sullivan and Von Wachter (2009)	Pennsylvania, 1970s-1980s	1:546
Eliason and Storrie (2009)	Sweden, 1980s	1:587
Pierce and Schott (2020)	US, 2000s	1:400
Venkataramani et al. (2020)	US, 2000s	1:300

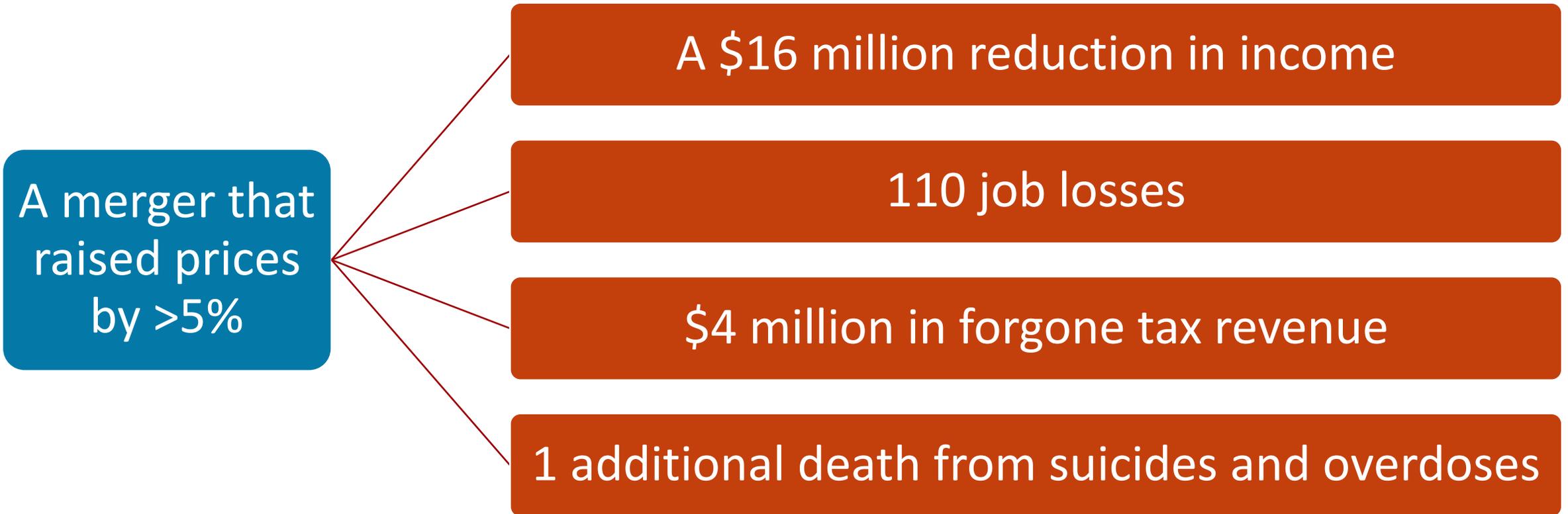


Possible Mechanism

Eliason and Storrie (2009) show that job losses from establishment closers in the 1980s led to substantial increases in hospitalizations from alcohol-related conditions, traffic accidents, overdoses, and self-harm

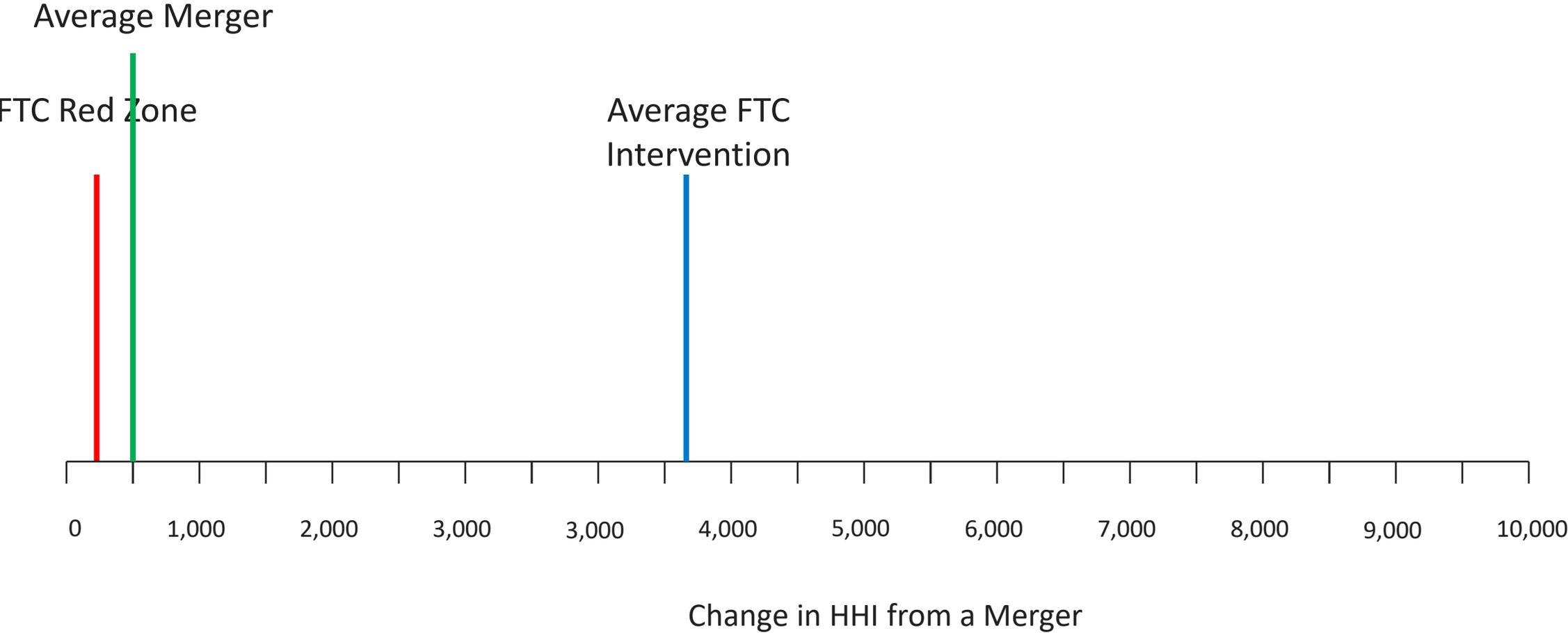
1% increase in health care prices causes...

Scaling the Effects of Hospital Mergers



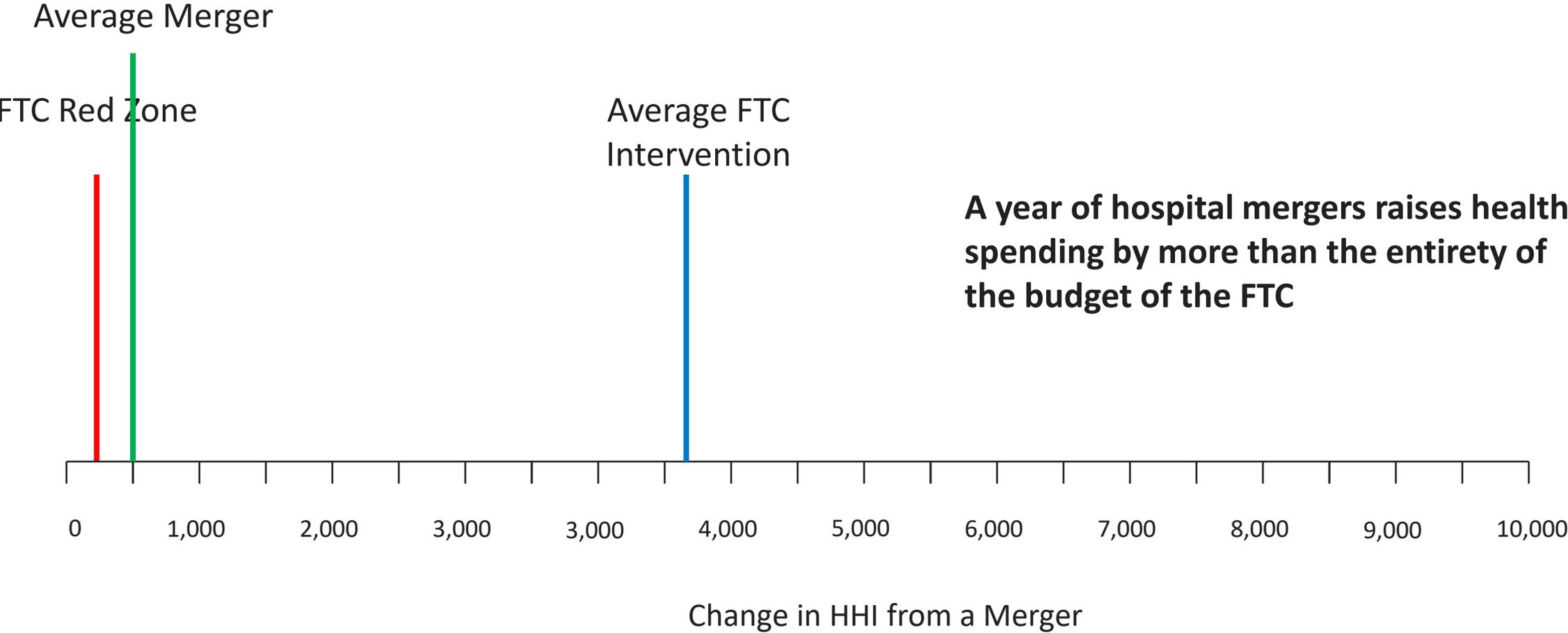
- **Implies each merger led to approximately \$26 million in economic harm**
- Recall: approximately 20% of mergers could be predicted *ex ante* to raise prices using standard screening tools used by the FTC

Why is There So Little Enforcement



Source: Cooper et al., 2024

Why is There So Little Enforcement



Source: Cooper et al., 2024

The Long Run Impact of 10% Price Growth

By Zack Cooper, Stuart Craig, Martin Gaynor, Nir J. Harish, Harlan M. Krumholz, and John Van Reenen

Hospital Prices Grew Substantially Faster Than Physician Prices For Hospital-Based Care In 2007-14

ABSTRACT Evidence suggests that growth in providers' prices drives growth in health care spending on the privately insured. However, existing work has not systematically differentiated between the growth rate of hospital prices and that of physician prices. We analyzed growth in both types of prices for inpatient and hospital-based outpatient services using actual negotiated prices paid by insurers. We found that in the period 2007–14 hospital prices grew substantially faster than physician prices. For inpatient care, hospital prices grew 42 percent, while physician prices grew 18 percent. Similarly, for hospital-based outpatient care, hospital prices grew 25 percent, while physician prices grew 6 percent. A majority of the growth in payments for inpatient and hospital-based outpatient care was driven by growth in hospital prices, not physician prices. Our work suggests that efforts to reduce health care spending should be primarily focused on addressing growth in hospital rather than physician prices. Policy makers should consider a range of options to address hospital price growth, including antitrust enforcement, administered pricing, the use of reference pricing, and incentivizing referring physicians to make more cost-efficient referrals.

Workers' pretax incomes are 3.4% lower

1pp (10%) higher UI claims

4.3% lower tax revenue

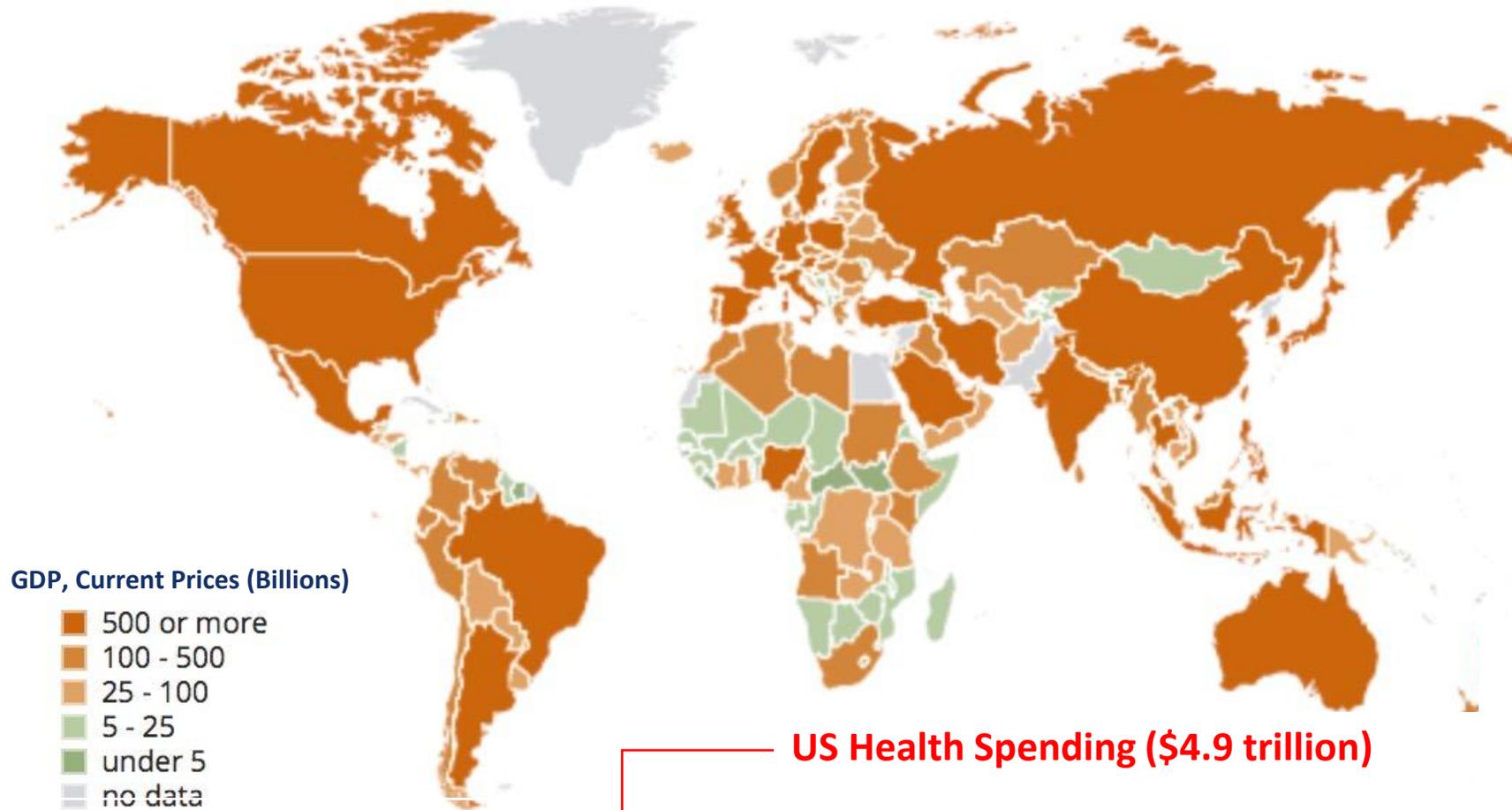
6.3 more deaths per 100k each year (12,800 total)

Some price growth is driven by quality improvements, but those would need to be **large** to offset these harms

The Consequences of Rising Hospital Prices in the US

- Because of the link between health insurance and the labor market, rising prices is leading to lower employment and tax revenue
- Who pays for these price increases? **Workers**
- Ultimately price increases are borne by those who do and **do not** consume care in a given year
- The labor market effects play out unevenly between poor and wealth workers, increasing inequality

Nominal GDP Per Country in US Dollars (Estimated 2018, IMF)



1. United States (\$30.3 trillion)
2. China (\$19.5 billion)
3. Germany (\$4.9 billion)
4. Japan (\$4.4 trillion)
5. India (\$4.3 trillion)

US Health Spending (\$4.9 trillion)

6. United Kingdom (\$3.7 trillion)
7. France (\$3.3 trillion)
8. Italy (\$2.5 trillion)
9. Canada (\$2.3 trillion)
10. Brazil (\$2.3 trillion)

What can states and employers do?

- 1% Steps – Incrementalism – focus on low back pain, baby deliveries, diabetes care, joint replacements, and super spenders
- Honest communication with workers about the health care tradeoffs
 - Higher health care costs mean fewer jobs
 - What are the tools available to lower health care costs and which are acceptable
 - It's not whether prior authorizations are good or bad, it's how they compare to out-of-pocket costs
- Hospital Prices
 - Get state AGs involved
 - Honest conversation about price regulation what you do in markets that do not support competition
 - Rationalizing across payers