

Higher Premiums and Fewer Options: What Employers Want You to Know About Hospital Pricing

(NAPS)—Americans are struggling with rising healthcare costs, driven in large part by unchecked hospital pricing practices. When large hospital systems abuse their pricing power, local employers, small businesses, working families, and communities feel the resulting impacts—through soaring premiums, shrinking wages, and cuts to services we all rely on. The result: higher healthcare costs, fewer options, and risks to patient care.

So, who pays?

In reality, everyone does. Healthcare costs are rapidly outpacing both inflation and wage growth, increasing the burden on employers and working families to make up the difference. As a result, data show premiums are steadily rising—today, the average annual premium for a family of four exceeds \$25,000. For now, employers are paying roughly \$19,000 of that cost, while employees contribute more than \$6,000 from their paychecks a year, on average—not to mention the added burden of increased cost-sharing, such as copayments and coinsurance. Moreover, the average premium for family coverage under employer-sponsored health plans has increased by 24% in the last five years. This is not sustainable.

Employers want to offer competitive and comprehensive health coverage but keeping up with rising prices presents new challenges each year. More than half of employers report needing to make cost-cutting changes, like scaling back benefits or shifting costs to workers, according to a 2024 nationwide survey of employers. For most families, this means higher healthcare premiums and smaller paychecks, making everything from your monthly grocery budget to planning for home improvements or a vacation harder—or completely out of reach.

Now, employers are pointing to concerning trends in spending that could make it financially unsustainable to provide healthcare benefits within the next five to 10 years.

What's behind these concerning trends?

Hospital bills are the leading driver of healthcare costs for working families, per a 2023 report from the National Alliance of Healthcare Purchaser Coalitions. In 2023, Americans collectively spent \$1.5 trillion on hospital care—equaling nearly a third of total health-



care expenditures in the US.

Spotlight on three hospital pricing practices and how they drive higher healthcare costs

Behind these eye-popping numbers is a troubling reality: large hospitals and health centers have built sophisticated pricing mechanisms that maximize their profits at the expense of local employers and working families. We believe in continuing to provide the healthcare services working families depend on, and so we call on policymakers to rein in these abuses with greater transparency, accountability, and oversight.

Profiting off a program intended to benefit patients

One example of such practices is how non-profit hospital systems are exploiting the 340B Drug Pricing Program (340B program), a little-known government program that is intended to help low-income patients access care. The 340B program provides hospitals with deep discounts on medicines that they then turn around and mark up for employers that provide health benefits. Ultimately, employers are forced to either cover the added costs of these hospital markups or pass them on to their employees.

"[There is a] large and growing body of evidence that 340B is often a shell game that has a substantial impact on commercial healthcare prices," says Shawn Gremminger, President & CEO of the National Alliance of Healthcare Purchaser Coalitions. "Hospital prices and healthcare premiums continue to rise across the country with employers and employees bearing the brunt."

Data show that between 2005 and 2023, the 340B program exploded from \$2.4 billion to \$66.3 billion as hospitals turned it into a profit engine, using the proceeds to buy up additional physician groups and hospitals, expanding their reach into affluent areas where they can further exploit the 340B program by accessing patients with employer-spon-

sored insurance. These practices are leading to large, consolidated hospital systems that can dictate healthcare costs by curbing competition, reducing choices, and driving up prices for everyone—all while their profit margins grow.

Buying up local hospitals and practices and limiting options for care, which often comes at a higher cost

Another troubling trend in hospital pricing is the ever-growing consolidation of hospitals and health systems. When hospitals merge, prices jump. Data show hospital mergers may lead to price increases that can range anywhere from 3-65%. When hospitals acquire local doctors' offices, patients are left with fewer options and often face higher costs for the same services. Research suggests the expansion of the 340B program may be contributing to this consolidation, particularly affecting rural communities as larger hospital systems are incentivized to purchase 340B-eligible rural health centers and specialty outpatient practices to extend their 340B footprint.

Deploying opaque business practices

Perhaps most alarming is hospitals' deliberate lack of transparency. One in four hospitals do not comply with federal price transparency requirements, according to a 2024 report from Advisory Board. Many hospital contracts contain "gag clauses" that prevent employers from accessing or sharing their own healthcare price data. This allows hospital systems to set prices that bear no relation to actual costs of care, leaving employers on the hook for surging prices—case in point, a recent report by the National Alliance of Healthcare Purchaser Coalitions found that employers and other plan sponsors pay anywhere from 150-700% of Medicare rates for identical hospital services.

Learn More

Employers can no longer afford to cast a blind eye to harmful hospital pricing practices that drive up the cost of care for patients, working families, and communities. When hospital systems abuse their pricing power and go unchecked, it's not just businesses that suffer—it's all of us. Through soaring premiums, shrinking wages, and cuts to services, we collectively pay the price. And communities deserve better.

For more information on efforts to ensure fair pricing, visit hospitalpricingabuse.org.